City of Chicago

Office of the City Clerk

Document Tracking Sheet

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Meeting Date: 2/22/2017

Sponsor(s): Dept./Agency

Type: Communication

Title: Notification of sale regarding General Obligation Bonds, Project and Refunding Bonds Series 2017A and Taxable Project Series 2017B (the Bonds)

Committee(s) Assignment:

DEPARTMENT OF FINANCE

CITY OF CHICAGO

RECEIVED #3
2017 FEB -2 PM 12:09
OFFICE OF THE CITY CLERK

February 1, 2017

Andrea M. Valencia
City Clerk
121 North LaSalle Street
City Hall - Room 107
Chicago, Illinois 60602

RE: $1,160,000 City of Chicago
General Obligation Bonds, Project and Refunding Series 2017A and Taxable Project Series 2017B (the "Bonds")

Dear Ms. Valencia:

Attached is the Notification of Sale, for the Bonds which is required to be filed with your office pursuant to Section 12 of the ordinance adopted by the City Council of the City of Chicago (the "City Council") on October 5, 2016.

Please direct this filing to the City Council.

Very truly yours,

Carole L. Brown
Chief Financial Officer

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

NOTIFICATION OF SALE

CITY OF CHICAGO
$1,160,260,000
General Obligation Bonds

$886,000,000	**$274,260,000**
Project and Refunding Series 2017A	**Taxable Project Series 2017B**

To: The City Council of the City of Chicago

Please be advised that responsive to authority contained in an Ordinance (the "*Ordinance*") adopted by the City Council (the "City Council") of the City of Chicago (the "*City*") on October 5, 2016, authorizing the issuance of up to $1,275,000,000 aggregate principal amount of general obligation bonds of the City, plus original issue discount, a Bond Purchase Agreement dated January19, 2017 (the "*Bond Purchase Agreement*"), providing for the sale of $1,160,260,000 aggregate principal amount of General Obligation Bonds, consisting of $886,000,000 aggregate principal amount of Project and Refunding Series 2017A (the "*Series 2017A Bonds*") and $274,260,000 aggregate principal amount of Taxable Project Series 2017B (the "*Series 2017B Bonds*" and together with the Series 2017A Bonds, the "*Bonds*"), was entered into by me as the Chief Financial Officer of the City, with the concurrence of the Chairman of the Committee on Finance of the City Council of the City, and the purchasers thereof named below (the "*Underwriters*"). The Bonds are being issued pursuant to the terms of a trust indenture dated as of February 1, 2017 (the "*Indenture*"), by and between the City and Zions Bank, a division of ZB, National Association, Chicago, Illinois, as Trustee, Bond Registrar and Paying Agent for the Bonds (the "*Trustee*").

The Bonds were sold at a purchase price equal to $1,131,142,442.93 (which represents the aggregate principal amount of the Bonds less an Underwriters' discount of $7,361,336.07 and less original issue discount of $21,756,221). The Underwriters for the Bonds are Goldman, Sachs Co., Mesirow Financial, Inc., Estrada Hinojosa & Company, Inc., Fifth Third Securities, Inc., Harvestons Securities, Inc., IFS Securities, Inc., Melvin & Company, LLC, North South Capital LLC, Siebert Cisneros Shank & Co., L.L.C. and William Blair & Company. The compensation (including all fees) of $7,361,336.07 being paid to the Underwriters in connection with the sale of the Bonds represents less than 5% of the aggregate principal amount of the Bonds.

Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Ordinance.

The proceeds of the Series 2017A Bonds will be used to (i) pay a portion of the costs of the 2017 Projects; (ii) refund or pay interest on all or a portion of certain outstanding general obligation bonds of the City; (iii) fund certain capitalized interest on the Series 2017A Bonds; and (iv) pay costs of issuance of the Series 2017A Bonds. The proceeds of the Series 2017B Bonds will be used to (i) pay a portion of the costs of the 2017 Projects; (ii) pay certain judgments and settlements; and (iii) pay costs of issuance of the Series 2017B Bonds. The 2017 Projects constitute the "Project" as authorized and described in the Ordinance.

Attached hereto as Exhibits 1 through 3, respectively, are executed copies of the Bond Purchase Agreement, the Official Statement dated January 19, 2017 and the Indenture pursuant to which, the Bonds are being issued.

Pursuant to Section 12 of the Ordinance, the undersigned hereby makes the following determinations: (a) the aggregate principal amount of the Bonds is $1,160,260,000 and the series designation of the Bonds and principal amount of each Series of the Bonds are set forth in the first paragraph hereof, (b) the Bonds are issued as Current Interest Bonds in denominations of $5,000 or any integral multiple thereof, none of which are sold as Direct Purchase Bonds, Capital Appreciation Bonds or Convertible Bonds, (c) the Bonds mature and are subject to redemption as set forth in Schedule I attached hereto, (d) the principal amounts and interest rates on the Bonds are set forth in Schedule I attached hereto, (e) the specific maturities, series and amounts of the Outstanding Indebtedness to be refunded with proceeds of Bonds issued for Refunding Purposes, and interest on which is to be paid with proceeds of the Bonds and the date on and price or amount at which such Outstanding Indebtedness or interest thereon shall be paid or refunded, is set forth in Schedule II attached hereto, (f) no proceeds of the Bonds have been used to reimburse the Corporate Fund of the City for amounts expended therefrom in connection with the payment of debt service relating to Outstanding Indebtedness (g) None of the Bonds are insured, (h) the Underwriters of the Bonds and the compensation paid thereto are as set forth above in the second paragraph hereof, and such compensation does not exceed five percent of the principal amount of the Bonds, (i) the Bonds are issued in book-entry form; the book entry depository is The Depository Trust Company, (j) the sale price of the Bonds is as set forth in the second paragraph of this Notification of Sale, and such price with respect to the Bonds is not less than 85 percent of the principal amount of the Bonds, (k) the Trustee shall serve as Bond Registrar and Amalgamated Bank of Chicago, Zion Bank, a division of ZB, National Association, The Bank of New York Mellon Trust Company, N.A. and U.S. Bank National Association shall serve as Escrow Trustees for the respective issues of bonds being refunded or for which interest is being paid, and for which they are currently acting as paying agents, as are set forth in Schedule II, and, (l) provisions relating to the transfer or exchange of Bonds are set forth in the Indenture.

Pursuant to Section 7 of the Bond Ordinance, the amount of taxes to be levied for the Bonds in each year will be less than the levy of taxes specified in Section 7 of the Bond Ordinance and I have determined, pursuant to the Ordinance, to abate the excess levy of taxes not necessary for the purpose of payment of the principal of and interest on the Bonds, as specified, together with the annual tax levy requirements for the payment of the principal and interest on the Bonds, in the Notification of Tax Abatement filed concurrently with the City Clerk, a copy of which is attached hereto as Schedule III.

Respectfully submitted as of this 1st day of February, 2017.

Carole L. Brown
Chief Financial Officer

EXHIBIT 1

BOND PURCHASE AGREEMENT

BOND PURCHASE AGREEMENT

$1,160,260,000
CITY OF CHICAGO
General Obligation Bonds,

$886,000,000	$274,260,000
Project and Refunding Series 2017A	Taxable Project Series 2017B

January 19, 2017

City of Chicago
Office of the City Comptroller
121 North LaSalle Street, 7th Floor
Chicago, Illinois 60602
Attention: Chief Financial Officer

Ladies and Gentlemen:

The undersigned, Goldman, Sachs & Co. (the "Representative"), on behalf of itself and the other underwriters listed below (collectively, the "Underwriters"), hereby offers to enter into this Bond Purchase Agreement (the "Agreement") with the City of Chicago (the "City"), for the purchase by the Underwriters, and sale by the City, of all but not less than all of $1,160,260,000 of the City's General Obligation Bonds, consisting of all, but not less than all, of $886,000,000 Project and Refunding Series 2017A (the "Series 2017A Bonds") and of all, but not less than all, of $274,260,000 Taxable Project Series 2017B (the "Series 2017B Bonds", and together with the Series 2017A Bonds, the "Bonds"). This offer is made subject to the acceptance by the City, evidenced by the signature of a duly authorized officer of the City in the space provided below, on or before 5:00 P.M., Chicago time on the date hereof, and upon such acceptance this Agreement shall be in full force and effect in accordance with its terms and shall be binding on the City and the Underwriters.

The Representative is authorized, and hereby represents and warrants that it is authorized, to act as Representative of the Underwriters and to execute this Agreement and has full authority to take such action as it may deem advisable with respect to all matters pertaining to this Agreement. Each Underwriter hereby severally represents to the City that it is registered and in good standing under the Securities Exchange Act of 1934, as amended (the "1934 Act"), as a municipal securities dealer.

The primary role of the Underwriters is to purchase the Bonds, for resale to investors, in an arm's-length commercial transaction between the City and the Underwriters. The Underwriters have financial and other interests that differ from those of the City.

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Preliminary Official Statement, as defined herein.

1. Agreement to Sell and Purchase.

(1) Upon the terms and conditions and based upon the representations, warranties and covenants herein set forth, the Underwriters, jointly and severally, hereby agree to purchase from the City and the City hereby agrees to sell to the Underwriters: the Bonds at a price equal to $1,131,142,442.93 (which represents the aggregate principal amount of the Bonds less an Underwriters' discount of $7,361,336.07 and less original issue discount of $21,756,221).

(2) It shall be a condition to the City's obligation to sell and deliver the Bonds that all the Bonds be purchased and paid for by the Underwriters at the Closing (as defined in Section 7 hereof) and a condition to the Underwriters' obligation to purchase and pay for the Bonds that all Bonds be issued, sold and delivered by the City at the Closing.

2. Bond Authorization. The Bonds are authorized by an ordinance of the City adopted by the City Council of the City (the "City Council") on October 5, 2016 (the "Ordinance"), and the Bonds will be issued pursuant to and secured by a Trust Indenture dated as of January 1, 2017 (the "Trust Indenture"), between the City and Zions Bank, a division of ZB, National Association, as Trustee, Bond Registrar and Paying Agent for the Bonds (the "Trustee"). The Bonds of each Series will mature, bear interest and have such other terms and conditions as are set forth on Schedule I hereto.

3. The Preliminary Official Statement. Attached hereto as Exhibit A is a copy of the Preliminary Official Statement of the City, dated January 4, 2017, as supplemented by the Supplement dated January 6, 2017, relating to the Bonds (the "Preliminary Official Statement"). For purposes of Rule 15c2-12 ("Rule 15c2-12") adopted by the Securities and Exchange Commission (the "SEC") under the 1934 Act, the Preliminary Official Statement is "deemed final" by the City as of its date except for the omission of such information as is permitted by Rule 15c2-12(b)(1).

4. Public Offering Price. The Underwriters have agreed to make a bona fide public offering of the Bonds at the initial offering prices set forth on Schedule I. The Representative will provide the City and Co-Bond Counsel (as defined herein) with a closing certificate confirming the reoffering yields and prices of the Bonds and the Underwriters acknowledge that the City and Co-Bond Counsel will rely on such certificate and that such reliance is material to the City in entering into this Agreement and in connection with the delivery of the Bonds.

5. The Official Statement.

(1) The City shall provide, or cause to be provided, at its expense, to the Underwriters no later than the earlier of (i) seven (7) business days after the date of this Agreement or (ii) one (1) day prior to the Closing, three copies of the Official Statement of the City, dated the date hereof, relating to the Bonds (the "Official Statement"), signed on behalf of the City by the Chief Financial Officer and the Official Statement so delivered shall be "final" for purposes of Rule 15c2-12. Such delivery of the Official Statement shall

occur in sufficient time to accompany any confirmation that requests payment from any customer and in sufficient quantity to comply with the rules of the SEC and the Municipal Securities Rulemaking Board (the "MSRB").

(2) If on or prior to the Closing or within twenty-five (25) days after the "end of the underwriting period" (as hereinafter defined) any event known to the City relating to or affecting the City, the Ordinance or the Bonds, shall occur which would cause any statement of a material fact contained in the Official Statement to be materially incorrect or materially incomplete, the City will promptly notify the Representative in writing of the circumstances and details of such event. If, as a result of such event, it is necessary, in the joint opinion of the City and the Representative to amend or supplement the Official Statement by stating or restating any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, the City will forthwith prepare and furnish to the Underwriters a reasonable number of copies of an amendment of or a supplement to such Official Statement in form and substance satisfactory to the City and the Representative, at the City's sole cost and expense, which will so amend or supplement such Official Statement so that, as amended or supplemented, the Official Statement will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. For purposes of this Agreement, the term "end of the underwriting period" shall mean the later of the date of Closing or the date on which an Underwriter no longer retains an unsold balance of the Bonds for sale to the public. The Underwriters agree that the date on which the end of the underwriting period shall occur shall be the date of the Closing, unless the Underwriters otherwise notify the City in writing prior to twenty-five (25) days after the date of the Closing that, to the best of their knowledge, the Underwriters retain for sale to the public an unsold balance of the Bonds, in which case the end of the underwriting period shall be extended for additional periods of thirty (30) days each upon receipt of additional written notification from the Underwriters that, to the best of their knowledge, there exists an unsold balance of the Bonds, but in no event shall the end of the underwriting period be extended longer than sixty (60) days after the date of Closing.

The Official Statement shall be provided for distribution, at the expense of the City, in such quantity as may be requested by the Underwriters as set forth above in order to permit the Underwriters to comply with Rule 15c2-12, and the applicable rules of the MSRB, with respect to distribution of the Official Statement. The City shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriters no later than one (1) business day prior to the Closing, to enable the Underwriters to comply with MSRB Rule G-32.

The City further agrees to provides the Underwriters with any advance refunding documents (as defined in MSRB Rule G-32) in a word-searchable PDF format as described in the MSRB Rule G-32 and shall provide such electronic copy of the word-searchable PDF format of the advance funding documents to the Underwriters no later than four (4) business days after the Closing, to enable the Underwriters to comply with MSRB Rule G-32.

(3) At or prior to the Closing, the Representative shall file, or cause to be filed, the Official Statement with the MSRB in compliance with the rules of the SEC and the MSRB. Promptly after the date after which the Underwriters are no longer obligated under Rule 15c2-12(b)(4) to deliver to potential customers the Official Statement, the Representative shall notify the City of such date.

6. Representations, Warranties and Covenants of the City. The City represents and warrants to the Underwriters as of the date hereof that:

(1) The City is a municipal corporation and home rule unit of local government, existing under the Constitution and laws of the State of Illinois (the "State").

(2) The City Council has: (i) duly adopted the Ordinance, which remains in full force and effect; (ii) duly approved the execution and delivery of the Trust Indenture; (iii) duly authorized the use of the Preliminary Official Statement prior to the date hereof in connection with the public offering and sale of the Bonds and duly authorized the execution, delivery and distribution of the Official Statement in connection with the public offering and sale of the Bonds; and (iv) duly authorized and approved the execution and delivery of the Bonds, the escrow agreements to be executed and delivered by the City (collectively, the "Escrow Agreements") in connection with the refunding of the general obligation bonds of the City and the payment of interest as identified in Appendix F to the Official Statement (collectively, the "Refunded Bonds"), this Agreement and a continuing disclosure undertaking pursuant to the provisions of Section (b)(5) of Rule 15c2-12 (the "Undertaking").

(3) With the exception of the disclosure described in the Preliminary Official Statement in the section titled "SECONDARY MARKET DISCLOSURE - Corrective Action Related to Certain Bond Disclosure Requirements", the City has not failed during the previous five years to comply in all material respects with any previous undertakings in a written continuing disclosure contract or agreement under Rule 15c2-12.

(4) The City has full legal right, power and authority to: (i) adopt the Ordinance; (ii) execute and deliver this Agreement, the Trust Indenture, the Escrow Agreements, the Undertaking and the Official Statement; (iii) issue, sell and deliver the Bonds of each Series to the Underwriters pursuant to the Ordinance and the Trust Indenture and as provided in this Agreement; and (iv) pay for the Bonds from the sources pledged under the Ordinance and the Trust Indenture for their payment.

(5) The adoption of the Ordinance and compliance with the provisions thereof do not, and the execution and delivery of this Agreement, the Trust Indenture, the Escrow Agreements, the Undertaking and the Official Statement will not, in any material manner, violate any applicable law or administrative regulation of the State or any department, division, agency or instrumentality thereof or of the United States of America (the "United States") or of any department, division, agency or instrumentality thereof, or any applicable

judgment or decree to which the City is subject, or conflict with, in a material manner, or constitute a material breach of, or a material default under, any ordinance, agreement or other instrument to which the City is a party or is otherwise bound.

(6) All approvals, consents and orders of, and filings (except, if any, under applicable state "blue sky" laws) with, any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the City of its obligations under this Agreement, the Undertaking, the Ordinance, the Trust Indenture, the Escrow Agreements, and the Bonds have been obtained or made.

(7) The financial statements of the City contained in the Official Statement fairly present the financial position and results of operations of the City as of the date and for the periods therein set forth and the City has no reason to believe that such financial statements have not been prepared in accordance with generally accepted accounting principles as applied to governmental units, consistently applied except as otherwise noted therein.

(8) The Official Statement (excluding any description of The Depository Trust Company ("DTC"), information under the captions "THE BONDS - Book-Entry System," "RATINGS," "CERTAIN VERIFICATIONS," "UNDERWRITING," "TAX MATTERS," APPENDIX A — "SUMMARY OF THE INDENTURE", APPENDIX B — "ECONOMIC AND DEMOGRAPHIC INFORMATION (with respect to the information under the headings "— Economy," "— Percentage of Total Non-Farm Employment by Major Industry Sector" and "— Housing Market," and information relating to population, per capita personal income and employment, and unemployment rate with respect to the United States, the State of Illinois, Cook County and the Chicago MSA), APPENDIX E — "OPINIONS OF CO-BOND COUNSEL," and information furnished by the Underwriters in writing, explicitly for inclusion in the Official Statement under the heading "UNDERWRITING") as of its date does not, and at the Closing will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(9) Information in the Third Party Sourced Retirement Fund Tables (as defined in the Official Statement) is sourced from documents published by the Retirement Funds and the City takes no responsibility for the accuracy and completeness of such information; however, nothing has come to the attention of the City which would lead the City to believe that the Third Party Sourced Retirement Fund Tables are not true and correct in all material respects;

(10) The Ordinance, the Trust Indenture, this Agreement, the Escrow Agreements, and the Undertaking, when duly executed and delivered by the parties thereto, as appropriate, will constitute legal, valid and binding obligations of the City enforceable in accordance with their terms (except to the extent that enforceability may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies and the availability of equitable remedies generally).

(11) When delivered to the Representative, and paid for by the Underwriters at the Closing in accordance with the provisions of this Agreement, the Bonds will be duly authorized, executed and delivered and will constitute legal, valid and binding obligations of the City enforceable in accordance with their terms (except to the extent that enforceability may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies and the availability of equitable remedies generally).

(12) Except as disclosed in the Official Statement, there is no action, suit or proceeding, at law or in equity, or before or by a court, public board or body, pending or, to the City's knowledge, threatened, against the City wherein an unfavorable decision, ruling or finding would materially adversely affect (i) the validity or enforceability of the Bonds, the Ordinance, the Trust Indenture, the Escrow Agreements, this Agreement, or the Undertaking or (ii) the excludability from federal income taxation of the interest on the Bonds under the Internal Revenue Code of 1986, as amended (the "Code").

(13) The City has not taken, or omitted taking, and will not take or omit to take, any action, which action or omission would adversely affect the excludability from federal income taxation of the interest on the Bonds under the Code.

(14) Any certificate signed by any Authorized Officer of the City and delivered to the Representative at the Closing in connection with the issuance or sale of the Bonds shall be deemed to be a representation and warranty by the City to the Underwriters as to the statements made therein as of the date so delivered.

(15) The City will make available such information, execute such instruments and take such other action in cooperation with the Underwriters as the Representative may reasonably request to qualify the Bonds for offering and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate in writing; provided, however, that nothing in this Section shall require the City to consent to general service of process in any state or jurisdiction other than the State.

(16) The City will apply the proceeds of the Bonds in accordance with the Ordinance and the Trust Indenture.

(17) The City acknowledges and agrees that: (i) the transaction contemplated by this Agreement is an arm's length, commercial transaction between the City and the Underwriters in which the Underwriters are acting solely as a principal and not acting as a municipal advisor, financial advisor or fiduciary to the City; (ii) the Underwriters have not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether any Underwriter has provided other services or is currently providing other services to the City on other matters); (iii) the Underwriters have financial and other interests that differ from those of the City; and (iv) the City has consulted its own legal, account, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

7. Closing. Subject to the conditions set forth in this Agreement, the closing (the "Closing") of the sale of the Bonds by the City and the purchase of the Bonds by the Underwriters, shall take place at approximately 9:00 a.m., Chicago time, on February 1, 2017, at the offices of Schiff Hardin LLP, 233 S. Wacker Drive, Suite 6600, Chicago, Illinois 60606 (or at such other time, date and place as the City and the Representative mutually agree).

(1) At the Closing, the City shall deliver or cause to be delivered to DTC, as securities depository, for the account of the Underwriters one fully registered certificate for each interest rate and maturity of the Bonds of each Series in the aggregate principal amount thereof, registered in the name of Cede & Co., as nominee for DTC.

(2) Upon delivery of the Bonds to the Representative at the Closing, the City will deliver to the Representative the closing documents as set forth in Section 10 hereof.

(3) The Representative will accept delivery of the Bonds and pay the purchase price therefor at the Closing by delivering federal funds checks or making federal funds wire transfers or otherwise confirming deposits of same day funds, as the City shall direct, to the City's account at a bank specified by the City, in an aggregate amount equal to the purchase price of the Bonds pursuant to Section 1 hereof.

8. Reliance and Further Conditions of the Underwriters. The Underwriters have entered into this Agreement in reliance upon the representations, warranties and agreements of the City herein and the performance by the City of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriters' obligations under this Agreement are and shall be subject to the following further condition that at the time of the Closing, the Ordinance, the Trust Indenture, the Escrow Agreements, the Undertaking, and this Agreement shall be in full force and effect and the Ordinance and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to with respect to the Official Statement pursuant to Section 5 hereof, and the City shall have duly adopted and there shall be in full force and effect such ordinances as, in the opinion of Schiff Hardin LLP, Chicago, Illinois, and Sanchez, Daniels & Hoffman LLP, Chicago, Illinois, as co-bond counsel ("Co-Bond Counsel") shall be necessary in connection with the transactions contemplated hereby and thereby.

9. Termination of Agreement.

(1) The Underwriters shall have the right to cancel their obligations to purchase the Bonds and have the further right to terminate this Agreement, without liability therefor, by written notice to the City from the Representative, if, between the date hereof and the Closing:

(i) legislation shall be introduced in or enacted by the Congress of the United States or adopted by either House thereof or shall have been introduced and favorably reported for passage to either House by any committee of such House to which such legislation had been referred for consideration, or a decision shall have been rendered by or adopted by either House or a decision by a court of the United States or the United States Tax Court or an order, ruling or regulation shall have been issued or proposed by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, with respect to federal income taxation upon interest received on obligations of the general character of the Bonds which, in the Representative's reasonable opinion, does materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds, or

(ii) legislation shall have been enacted by the Congress of the United States to become effective on or prior to the Closing, or a decision of a court of the United States shall be rendered, or a stop order, ruling, regulation or proposed regulation by or on behalf of the SEC or other agency having jurisdiction over the subject matter shall be issued or made, to the effect that the issuance, sale and delivery of the Bonds, or any similar obligations of any similar public body of the general character of the City, is in violation of, or has the effect of requiring the contemplated offering, sale and distribution of the Bonds to be registered under the Securities Act of 1933, as amended, or the enactment of the Ordinance or any ordinance of similar character is in violation of the Trust Indenture Act of 1939, as amended, or with the purpose or effect of otherwise prohibiting the issuance, sale or delivery of the Bonds as contemplated hereby or by the Official Statement or of obligations of the general character of the Bonds which, in the Representative's reasonable opinion, does materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds, or

(iii) there shall have occurred any event which in the Representative's reasonable opinion, after consultation with its legal counsel, makes the Official Statement either (A) contain an untrue statement of a material fact or (B) omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in any material respect, and (a) the City fails to prepare or furnish or fails to cause to be prepared or furnished to the Underwriters an amendment or supplement to the Official Statement, pursuant to Section 5 hereof, which will amend or supplement the Official Statement so that, as amended or supplemented, the Official Statement will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in a material respect, or (b) the effect of the Official Statement as so supplemented is, in the reasonable opinion of the Representative, to materially adversely affect the market for the Bonds or the sale, at the contemplated offering prices (or yields), of the Bonds by the Underwriters, or

(iv) there shall be in force a general suspension of trading on The New York Stock Exchange, Inc., or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on The New York Stock Exchange, Inc., whether by virtue of a determination by that Exchange or by order of the SEC or any other governmental authority having jurisdiction, or any national securities exchange shall have imposed additional material restrictions not in force as of the date hereof with respect to trading in securities generally, or to the Bonds or similar obligations, or

(v) a general banking moratorium shall have been declared by either federal, State or New York authorities having jurisdiction and be in force, or

(vi) any legislation, ordinance, rule or regulation shall be enacted by the City or State, or any department or agency thereof, or a decision by any court of competent jurisdiction within the State shall be rendered which, in the reasonable opinion of the Representative, would have a material adverse effect on the market price or marketability of the Bonds, or

(vii) a war involving the United States, an outbreak or escalation of or adverse development in hostilities or terrorist activities or other national or international calamity or crisis shall have occurred which, in the reasonable opinion of the Representative, materially adversely affects the market price or marketability of the Bonds, or

(viii) there shall be any proceeding or threatened proceeding by the SEC against the City and such proceeding or threatened proceeding, in the reasonable opinion of the Representative, materially adversely affects the market price or marketability of the Bonds.

(2) If the City shall be unable to satisfy the conditions contained in this Agreement or if the Underwriters' obligations shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the City nor the Underwriters shall have any further obligations hereunder.

10. Closing Conditions.

(1) The Underwriters' obligations to purchase, to accept delivery of and to pay for the Bonds at the Closing shall be conditioned upon the City's performance of its obligations under Sections 6, 7 and 8 hereof and the Underwriters' receipt of the following documents:

(i) three copies of the Official Statement manually executed by the Chief Financial Officer;

(ii) the approving opinions, dated the date of the Closing, of Co-Bond Counsel to the City, substantially in the form attached to the Official Statement as Appendix E;

(iii) the opinions, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters and to the City, of Co-Bond Counsel, substantially in the form attached hereto as Exhibit B-1;

(iv) separate letters dated the date of the closing and addressed to the City and the Representative on behalf of the Underwriters, respectively, of Chapman and Cutler LLP, Special Disclosure Counsel to the City in connection with certain pension matters described in the Official Statement, substantially in the form attached hereto as Exhibit B-2;

(v) an opinion, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters, of the Corporation Counsel of the City, substantially in the form attached hereto as Exhibit C;

(vi) an opinion or opinions, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters, of Ice Miller LLP, Chicago, Illinois, as counsel for the Underwriters ("Underwriter's Counsel"), in form and substance satisfactory to the Representative;

(vii) an opinion or opinions, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters, of Burke, Warren, MacKay & Serritella, P.C., Chicago, Illinois, and Golden Holley James LLP, Chicago, Illinois, Co-Disclosure Counsel to the City, substantially in the form attached hereto as Exhibit D;

(viii) a certificate, dated the date of the Closing, signed by the Chief Financial Officer, to the effect that (A) the representations and warranties of the City herein are correct in all material respects as of the date of the Closing; and (B) there has been no material adverse change in the financial condition of the City since December 31, 2015, as reflected in Appendix C to the Official Statement, except as set forth in the Official Statement;

(ix) a certificate of the Trustee to the effect that the Trustee has full legal right, power and authority to act as the Trustee, Bond Registrar, and Paying Agent under the Ordinance and the Trust Indenture;

(x) a certificate, dated the date of the Closing, signed by the Representative, in form and substance satisfactory to the City and Co-Bond Counsel;

(xi) an executed copy of the Undertaking substantially in the form summarized in the Official Statement under the heading "SECONDARY MARKET DISCLOSURE";

(xii) an executed copy of the Trust Indenture;

(xiii) a copy of an agreement between the City and DTC relating to the safekeeping and book-entry form of the Bonds;

(xiv) a copy, duly certified by the City Clerk of the City, of the Ordinance, as passed by the City Council and approved by the Mayor;

(xv) evidence satisfactory to the Representative that the Bonds have ratings of "BBB+" (stable outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., "BBB-" (stable outlook) by Fitch Ratings, and "BBB+" (stable outlook) by Kroll Bond Rating Agency;

(xvi) an executed copy of each of the Escrow Agreements;

(xvii) a certificate from each escrow agent (collectively, the "Escrow Agents") to the effect that such Escrow Agent has the full legal right, power and authority to act as Escrow Agent under the related Escrow Agreement;

(xviii) a verification report of Robert Thomas, CPA, LLC, Shawnee Mission, Kansas, dated the date of the Closing, as to the accuracy of certain calculations with respect to the Bonds and the Refunded Bonds; and

(xix) such additional closing certificates and agreements related to the Bonds, including such tax certifications and agreements relating to the Bonds, as Co-Bond Counsel shall reasonably determine to be necessary to deliver their opinions as provided hereinabove.

(2) All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement will be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Representative, in its reasonable judgment. Payment for the Bonds and acceptance of the Bonds by the Underwriters shall constitute acknowledgment by the Underwriters of the City's full performance hereunder.

11. Expenses. The Underwriters shall be under no obligation to pay, and the City shall pay, any and all expenses incident to the performance of the City's obligations hereunder, including but not limited to: (a) the cost of the preparation and printing or other reproduction of the Ordinance, the Trust Indenture, the Preliminary Official Statement and the Official Statement, as well as the cost of shipping the Official Statement; (b) the cost of the preparation and printing of the Bonds; (c) the fees and disbursements of Co-Bond Counsel and Co-Disclosure Counsel; (d) the fees and disbursements of any experts or consultants retained by the City; (e) the fees of the Trustee and the Escrow Agents; (f) the fees for the municipal bond ratings on the Bonds; and (g) the fees of Digital Assurance Certification, L.L.C. for continuing disclosure undertaking compliance review. The City shall be responsible for any meal, travel and lodging expenses of its own officials and employees. The Underwriters will pay the expenses incurred by them or any of them in connection with their public offering and distribution of the Bonds, including, but not limited to, the CUSIP Service Bureau charges, the fees and expenses of Underwriters' Counsel and advertising expenses directly incurred by the Underwriters.

The City shall pay for any expenses (included in the expense component of the Underwriters' discount) incurred by the Underwriters on behalf of the City in connection with the marketing, issuance and delivery of the Bonds, including, but not limited to, meals, transportation, lodging, and entertainment of the City's employees and representatives.

12. Notices. Any notice or other communication to be given to the City under this Agreement shall be given by delivering the same in writing at the address set forth above, and any such notice or other communication to be given to the Underwriters shall be given by delivering the same in writing to the Representative at the following address:

Goldman, Sachs & Co.
71 S. Wacker Drive
Suite 500
Chicago, Illinois 60606
Attention: Carlos Pineiro

13. No Third Party Beneficiaries, Survival, Etc. This Agreement is made solely for the benefit of the City and the Underwriters (including the successors or assigns of any Underwriter), and no other person, partnership, association or corporation including any purchaser of the Bonds shall acquire or have any right hereunder or by virtue hereof. All of the representations and agreements by the City in this Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriters and shall survive the delivery of and payment for the Bonds.

14. Governing Law. The rights and obligations of the parties to this Agreement shall be governed by, construed and enforced in accordance with the laws of the State, without giving effect to the conflict of laws provisions thereof.

15. Representations and Warranties of the Underwriters. The Underwriters represent and warrant that:

(1) They have heretofore authorized the Representative to execute any document on behalf of or exercise any authority of and otherwise to act for, the Underwriters in all matters under or pertaining to this Agreement. Each Underwriter has warranted and confirmed to the Representative, and the Representative warrants and confirms to the City that: (i) it is duly registered under the 1934 Act, as a broker/dealer or municipal securities dealer and has duly paid the fee prescribed by MSRB Rule A-12 or is exempt from such requirements, (ii) it is (a) a member in good standing of the Financial Industry Regulatory Authority ("FINRA") or (b) otherwise eligible under FINRA rules to receive underwriting discounts and concessions available to such members with respect to underwriters of municipal securities, and (iii) it has complied with the dealer registration requirements, if any, of the various jurisdictions in which it offers Bonds for sale. The Underwriters represent, warrant and covenant that they are and will be in compliance with all applicable laws, rules and regulations in connection with the offering, issuance and sale of the Bonds.

(2) To the knowledge of the Underwriters, no person holding office of the City, either by election or appointment, is in any manner financially interested, either directly in the officer's own name or indirectly in the name of any other person, association, trust or corporation, in any contract being entered into by the Underwriters or

the performance of any work to be carried out by the Underwriters in connection with the issuance and sale of the Bonds upon which said officer may be called upon to act or vote.

(3) Each Underwriter severally represents to the City that neither the Underwriter, nor any Affiliate thereof is listed on any of the following lists maintained by the Office of Foreign Assets Control of the United States Department of the Treasury, the Bureau of Industry and Security of the United States Department of Commerce, the United States Department of State or their successors, or on any other list of persons or entities with which the City may not do business under any applicable law, rule, regulation, order or judgment: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List, the List of Statutorily Debarred Parties and the Excluded Parties List. Such representation shall be provided to the City in the form attached hereto as <u>Exhibit E</u>.

For purposes of this representation, "Affiliate," when used to indicate a relationship with a specified person or entity, means a person or entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified person or entity, and a person or entity shall be deemed to be controlled by another person or entity, if controlled in any manner whatsoever that results in control in fact by that other person or entity (or that other person or entity and any persons or entities with whom that other person or entity is acting jointly or in concert), whether directly or indirectly and whether through share ownership, a trust, a contract or otherwise.

(4) The Underwriters may enter into distribution agreements with certain financial institutions for the retail distribution of municipal securities, including the Bonds, at the initial public offering price. In accordance with such arrangements, the Underwriters may share a portion of its underwriting compensation.

16. <u>Approval</u>. The approval of the Underwriters when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing signed by the Representative and delivered to the City.

17. <u>Successors and Assigns</u>. This Agreement shall inure to the benefit of and be binding upon the parties and their successors and assigns, and will not confer any rights upon any other person. The terms "successors" and "assigns" shall not include any purchaser of any Bond or Bonds from the Underwriters merely because of such purchase.

18. <u>Enforceability</u>. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions, because it conflicts with any provisions of any constitution, statute, rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstances, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatsoever.

19. Counterparts. This Agreement may be executed in several counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same document.

20. Cooperation with City Inspector General. As acknowledged by each Underwriters' Representation Letter, each Underwriter understands and agrees that it is required to and will comply with the provisions of Chapter 2-56 of the Municipal Code of Chicago. Pursuant to Section 2-56-090 of the Municipal Code of Chicago, it shall be the duty of each Underwriter to cooperate with the inspector general in any investigation or hearing undertaken pursuant to Chapter 2-56. Every Underwriter shall report, directly and without undue delay, to the City's inspector general any and all information concerning conduct by any person which such Underwriter knows to involve corrupt activity, pursuant to Section 2-156-018(b) of the Municipal Code of Chicago. As acknowledged by each Underwriters' Representation Letter, any Underwriter's knowing failure to report corrupt activity as required in subsection (b) of Section 2-156-018 of the Municipal Code of Chicago, shall constitute an event of default under this Agreement. For purposes of subsection (b) of Section 2-156-018 of the Municipal Code of Chicago, "corrupt activity" shall mean any conduct set forth in subparagraph (a)(1), (2) or (3) of Section 1-23-020 of the Municipal Code of Chicago:

(1) bribery or attempted bribery, or its equivalent under any local, state or federal law, of any public officer or employee of the City or of any sister agency; or

(2) theft, fraud, forgery, perjury, dishonesty or deceit, or attempted theft, fraud, forgery, perjury, dishonesty or deceit, or its equivalent under any local, state or federal law, against the City or of any sister agency; or

(3) conspiring to engage in any of the acts set forth in items (1) or (2) of above.

The Underwriter (individually and collectively) agrees and covenants that no payment, gratuity or offer of employment shall be made in connection with this Agreement, by or on behalf of a subcontractor to the Underwriter or any higher–tier subcontractor or any person associated therewith, as an inducement for the award of a subcontract or order related to this Agreement.

21. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters covered hereby, and supersedes all prior agreements and understandings between the parties. This Agreement shall only be amended, supplemented or modified in a writing signed by both of the parties hereto.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Bond Purchase Agreement in connection with the City of Chicago General Obligation Bonds, Series 2017A and 2017B to be executed by their duly authorized representatives as of the date first above written.

Very truly yours,

THE UNDERWRITERS

Goldman, Sachs & Co.
Mesirow Financial, Inc.
Estrada Hinojosa
Fifth Third Securities, Inc.
Harvestons Securities, Inc.
IFS Securities
Melvin & Company
North South Capital LLC
Siebert Cisneros Shank & Co., L.L.C.
William Blair

By: GOLDMAN, SACHS & CO.
As Representative

By: ______________________
Managing Director

Accepted by the City:

CITY OF CHICAGO

By: ______________________
Carole L. Brown
Chief Financial Officer

Concurred:

By: ______________________
Edward M. Burke
Chairman, Committee on
Finance of the City Council

SCHEDULE I

TERMS OF BONDS

1. Aggregate Principal Amount: $1,160,260,000

2. Dated: Date of Issuance (Expected to be February 1, 2017)

3. Maturities, Principal Amounts, Interest Rates, Prices and CUSIP Numbers:

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIP NUMBERS

City of Chicago
General Obligation Bonds
$886,000,000 Project and Refunding Series 2017A

Maturity (January 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP
2029	$20,980,000	5.625%	5.800%	98.503	167486ZT9
2030	41,565,000	5.625	5.880	97.709	167486ZU6
2031	43,655,000	5.625	5.960	96.855	167486ZV4
2033	32,690,000	5.750	6.080	96.658	167486ZW2
2034	34,120,000	5.750	6.140	95.925	167486ZX0

$712,990,000 6.000% Term Bond due January 1, 2038, Yield 6.200%, Price 97.667 CUSIP: 167486ZY8

City of Chicago
General Obligation Bonds
$274,260,000 Taxable Project Series 2017B

$274,260,000 7.045% Term Bond due January 1, 2029, Yield 7.045%, Price 100.00 CUSIP: 167486ZZ5

4. Redemption.

The Bonds are subject to both optional and mandatory redemption prior to maturity, as described below. The Bonds shall be redeemed only in principal amounts of $5,000 and integral multiples thereof.

Optional Redemption of Series 2017A Bonds

The Series 2017A Bonds are subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after January 1, 2027, and if less than all of the outstanding Series 2017A Bonds of a single maturity are to be redeemed the Series 2017A Bonds called shall be called by lot, in such principal amounts and from such maturities as the City shall determine, at a redemption price equal to the principal amount of the Series 2017A Bonds being redeemed plus accrued interest to the date fixed for redemption.

Optional Redemption of Series 2017B Bonds with Make Whole Payment

The Series 2017B Bonds shall be subject to redemption prior to maturity at the option of the City, in whole or in part, and if in part from such maturities and interest rates as shall be determined by an Authorized Officer on any Business Day (as defined in the Official Statement) at a redemption price equal to the greater of: (A) the principal amount of such Series 2017B Bonds to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on such Series 2017B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date such Series 2017B Bonds are to be redeemed, discounted to the date of redemption of such Series 2017B Bonds to be redeemed on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in the Official Statement) plus 70 basis points plus accrued interest on such Bonds being redeemed to the date fixed for redemption.

The City is authorized to sell or waive any right the City may have to call any of the Bonds for optional redemption, in whole or in part; provided, that such sale or waiver will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes.

EXHIBIT A

PRELIMINARY OFFICIAL STATEMENT

Exhibit B-1

Supplemental Opinion of Co-Bond Counsel

February 1, 2017

City of Chicago
City Hall
121 North LaSalle Street
Chicago, Illinois 60602

The Underwriters listed
on *Exhibit A*

Re: ***City of Chicago***
$886,000,000 General Obligation Bonds, Project and Refunding Series 2017A
$274,260,000 General Obligation Bonds, Taxable Project Series 2017B

Ladies and Gentlemen:

We acted as co-bond counsel in connection with the issuance by the City of Chicago (the "**City**") of $886,000,000 aggregate original principal amount of its General Obligation Bonds, Project and Refunding Series 2017A (the "**Series 2017A Bonds**"), and $274,260,000 aggregate original principal amount of its General Obligation Bonds, Taxable Project Series 2017B (together with the Series 2017A Bonds, the "**Bonds**"). We rendered our separate opinions today as co-bond counsel as to the validity of the Bonds.

The following opinions are based upon the same examination of the record of proceedings and accompanying certificates, and are subject to the same limitations, as described in our approving opinions as co-bond counsel described above. In addition to the items described in our approving opinions, the record of proceedings also includes executed copies of (i) the Bond Purchase Agreement, dated January 19, 2017 (the "**Bond Purchase Agreement**"), between the City and Goldman, Sachs & Co., Inc., as representative of the underwriters listed on Exhibit A (the "**Underwriters**"), (ii) the Continuing Disclosure Undertaking of the City, dated February 1, 2017 (the "**Continuing Disclosure Undertaking**"), with respect to the Bonds, and (iii) the Official Statement, dated January 19, 2017, of the City relating to the Bonds (the "**Official Statement**"). We are furnishing this opinion pursuant to Section 10(1)(iii) of the Bond Purchase Agreement. Capitalized terms used but not defined in this letter have the meanings ascribed to them in our approving opinions described above.

Based upon our examination as described in our approving opinions as co-bond counsel, we are further of the opinion as follows:

1. The Bonds are exempt from registration under the Securities Act of 1933, as amended (the "**Securities Act**"). It is not necessary, in connection with the initial public offering and sale of the Bonds in the manner contemplated in the Bond Purchase Agreement, to

register any securities under the Securities Act or to qualify the Bond Ordinance or the Indenture under the Trust Indenture Act of 1939, as amended.

2. We have reviewed the statements in the Official Statement on its front cover, under the captions "INTRODUCTION," "THE BONDS" (except for the statements under the subcaption "Book-Entry System"), "SECURITY FOR THE BONDS," and "TAX MATTERS," and in Appendix A and, insofar as those statements purport to summarize certain provisions of the Bonds, the Indenture and the Bond Ordinance, such statements present a fair and accurate summary of those provisions. The statements in the Official Statement in the first paragraph on its front cover, under the caption "TAX MATTERS" and in Appendix E present a fair and accurate summary of the matters relating to the tax status of interest on the Bonds discussed in such portions of the Official Statement.

3. The execution and delivery on behalf of the City of the Bond Purchase Agreement has been duly authorized by the City. The Bond Purchase Agreement has been duly executed and delivered by the City and is a binding contractual obligation of the City in accordance with its terms if it is a valid and binding obligation of the Underwriters (as to which we express no opinion).

4. The Continuing Disclosure Undertaking has been duly authorized, executed and delivered by the City and is a binding contractual obligation of the City in accordance with its terms.

Except as stated in paragraph 2 of this opinion letter, we have not undertaken to determine independently the accuracy or completeness of the Official Statement. However, we state that during our participation in the authorization and issuance of the Bonds as co-bond counsel (which included participation in conferences with the City and its financial advisors and counsel and the Underwriters and their counsel concerning the Official Statement), nothing has come to our attention which has caused us to believe that the Official Statement (except for statements under the captions "THE CITY", "THE BONDS—Book-Entry System", "PLAN OF FINANCING," "FINANCIAL DISCUSSION AND ANALYSIS," "RETIREMENT FUNDS," "GENERAL OBLIGATION DEBT," "INVESTMENT CONSIDERATIONS," "LITIGATION," "FINANCIAL ADVISORS AND INDEPENDENT REGISTERED MUNICIPAL ADVISOR," "UNDERWRITING," "SECONDARY MARKET DISCLOSURE—Corrective Action Related to Certain Bond Disclosure Requirements," Appendices B, C, D and F, and the financial and statistical data in the Official Statement, as to which we express no view), as of its date or as of the date of this letter, contained or contains an untrue statement of a material fact or omitted or omits a material fact necessary to make the statements in it, in light of the circumstances under which they were made, not misleading.

The enforceability of provisions of the Bond Purchase Agreement and the Continuing Disclosure Undertaking may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. Enforcement of provisions of the Bond Purchase Agreement or the Continuing Disclosure Undertaking by an equitable or similar remedy is subject to general principles of law or equity governing such a remedy, including the exercise of judicial discretion whether to grant any particular form of relief. The enforceability of the indemnification provisions of the Bond Purchase Agreement may be limited by federal or state securities laws.

This opinion letter is based upon facts known or certified to us and laws in effect on its date and speaks as of that date. The opinions stated in this letter are expressions of professional judgment based upon such facts and law and are not a guaranty of a result. We have not undertaken any obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention after the date of this opinion or any changes in law that may occur after that date.

This opinion letter is furnished at the request of our client, the City, to satisfy a requirement of the Bond Purchase Agreement. Addressing our separate approving opinions as co-bond counsel described above and this opinion letter to the Underwriters does not create or reflect an attorney-client relationship between our firm and the Underwriters. The opinions rendered and assurances given in this letter are solely for the benefit of the persons to whom this letter is addressed in connection with the issuance and delivery of the Bonds and may not be relied upon by other persons or for any other purpose without our express prior written consent.

Respectfully yours,

Exhibit A

The Underwriters

Goldman, Sachs & Co.
71 South Wacker Drive
Chicago, Illinois 60606

IFS Securities, Inc.
875 N. Michigan Ave., Suite 3100
Chicago, Illinois 60611

Mesirow Financial, Inc.
353 North Clark Street
Chicago, Illinois 60654

Melvin Securities, LLC
455 Cityfront Plaza Drive
Chicago, Illinois 60611

Estrada Hinojosa & Company, Inc.
161 North Clark Street
Chicago, Illinois 60601

North South Capital LLC
200 West Adams Street
Chicago, Illinois 60606

Fifth Third Securities, Inc.
222 South Riverside Plaza
Chicago, Illinois 60606

Siebert Cisneros Shank & Co., L.L.C.
111 East Wacker Drive
Chicago, Illinois 60601

Harvestons Securities, Inc.
8301 East Prentice Avenue
Greenwood Village, Colorado 80111

William Blair & Company
222 East Adams Street
Chicago, Illinois 60606

EXHIBIT B-2

LETTERS OF SPECIAL PENSION DISCLOSURE COUNSEL

LETTER TO CITY

February 1, 2017

City of Chicago
121 North LaSalle Street
Chicago, Illinois 60602

Re: $1,160,260,000 City of Chicago
General Obligation Bonds
$886,000,000 Project and Refunding Series 2017A
and
$274,260,000 Taxable Project Series 2017B (collectively, the "*Bonds*")

Ladies and Gentlemen:

We have acted as special disclosure counsel to you, the City of Chicago (the "*City*"), solely in connection with the information contained under the caption "RETIREMENT FUNDS" (the "*Pension Section*") of the Preliminary Official Statement dated January 4, 2017, as supplemented by the Supplement dated January 6, 2017 to the Preliminary Official Statement (together, the "*Preliminary Official Statement*") and the Official Statement dated January 19, 2017 (the "*Official Statement*"), each relating to the Bonds issued by the City on this date.

In accordance with our understanding with the City, we have reviewed the Pension Section, certificates of officers of the City and other appropriate persons, and such other records, reports, opinions and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the conclusion hereinafter expressed. As to facts material to the views expressed herein, we have, with your consent, relied upon oral or written statements or representations of officers or other representatives or agents of or consultants to the City and of or to the Municipal Employees' Annuity and Benefit Fund of Chicago, the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago, and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (collectively, the "*Retirement Funds*"), including the representations and warranties of the City in the Bond Purchase Agreement dated January 19, 2017, with respect to the Bonds, between the City and Goldman, Sachs & Co., on behalf of itself and the other underwriters named therein (collectively, the "*Underwriters*"). We have not independently verified such matters. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Official Statement.

In arriving at the conclusion hereinafter expressed, we are not expressing any opinion or view on, and with your permission are assuming and relying on, the validity, accuracy and sufficiency of the records, reports, documents, certificates and opinions referred to above (including the accuracy of all factual matters represented and legal conclusions contained therein, including, without limitation, any representations and legal conclusions regarding the due authorization, issuance, delivery, validity and enforceability of the Bonds, the tax treatment of interest on the Bonds for federal income tax purposes, and the application of Bond proceeds in accordance with the authorization therefor). We have assumed that all records, reports, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

We are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Pension Section and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as special disclosure counsel to the City, to assist you in discharging your responsibility with respect to the Pension Section, we participated in conferences and correspondence with representatives of the City, the City's attorneys, Co-Disclosure Counsel to the City, the Underwriters, counsel to the Underwriters, and other persons involved in the preparation of information for the Pension Section, during which the contents of the Pension Section and related matters were discussed and revised. The purpose of our professional engagement was not to establish or confirm factual matters set forth in the Pension Section, and we have not undertaken any obligation to verify independently any of the factual matters set forth therein. Moreover, many of the determinations required to be made in the preparation of the Pension Section involve matters of a non-legal nature. Based on our participation in the above-mentioned conferences and correspondence, and in reliance thereon and on our limited review of the records, reports, documents, certificates, statements, representations, warranties, opinions and matters mentioned above, without independent verification, we advise you as a matter of fact and not opinion that, during our engagement as special disclosure counsel to the City in connection with the Pension Section, no facts came to the attention of the attorneys in our firm rendering legal services in connection with such limited role which caused us to believe that the Pension Section (apart from the financial statements or other financial, operating, numerical, accounting or statistical data or forecasts, estimates, projections, assumptions or expressions of opinion, or matters of litigation contained or incorporated therein, as to which we do not express any conclusion or belief) contained as of the dates of the Preliminary Official Statement and the Official Statement or contains as of the date hereof any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. No responsibility is undertaken or statement rendered herein with respect to any other portions of the Preliminary Official Statement or the Official Statement or any other disclosure document, materials or activity, or as to any information from another document or source referred to by or incorporated by reference in the Preliminary Official Statement or the Official Statement.

By acceptance of this letter you recognize and acknowledge that: (i) the preceding paragraph is not a legal opinion but is rather in the nature of negative observations based on certain limited activities performed by specific lawyers in our firm during our engagement to the City as special disclosure counsel in connection with the Pension Section; (ii) the scope of those activities performed by us for purposes of delivering this letter was inherently limited and does not purport to encompass all activities necessary for compliance with applicable securities laws; and (iii) those activities performed by us rely on third party representations, warranties, certifications, statements and opinions, including and primarily, representations, warranties and certifications made by the City, and are otherwise subject to the conditions set forth herein.

We express herein no opinion or belief herein with respect to the validity of the Bonds or the taxation thereof or of the interest thereon, and our expression of belief with respect to the Pension Section assumes the validity of the Bonds and the tax treatment of the interest payable thereon for federal income tax purposes, all as set forth in the opinions of Co-Bond Counsel.

This letter is furnished by us in our limited capacity as special disclosure counsel to the City in connection with the Pension Section. This letter may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent, except that such letter may be referenced in the Preliminary Official Statement, the Official Statement and the Bond Purchase Agreement with respect to the Bonds and included in the transcript of proceedings for the Bonds. This letter is given as of the date hereof and we assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention.

Respectfully submitted,

LETTER TO UNDERWRITERS

February 1, 2017

Goldman, Sachs & Co.
as Representative of the Underwriters
named in the Bond Purchase Agreement
described below

Re: $1,160,260,000 City of Chicago
General Obligation Bonds
$886,000,000 Project and Refunding Series 2017A
and
$274,260,000 Taxable Project Series 2017B (collectively, the "*Bonds*")

Ladies and Gentlemen:

We have acted as special disclosure counsel to the City of Chicago (the "*City*"), solely in connection with the information contained under the caption "RETIREMENT FUNDS" (the "*Pension Section*") of the Preliminary Official Statement dated January 4, 2017, as supplemented by the Supplement dated January 6, 2017 to the Preliminary Official Statement (together, the "*Preliminary Official Statement*") and the Official Statement dated January 19, 2017 (the "*Official Statement*"), each relating to the Bonds issued by the City on this date.

In accordance with our understanding with the City, we have reviewed the Pension Section, certificates of officers of the City and other appropriate persons, and such other records, reports, opinions and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the conclusion hereinafter expressed. As to facts material to the views expressed herein, we have, with your consent, relied upon oral or written statements or representations of officers or other representatives or agents of or consultants to the City and of or to the Municipal Employees' Annuity and Benefit Fund of Chicago, the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago, and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (collectively, the "*Retirement Funds*"), including the representations and warranties of the City in the Bond Purchase Agreement dated January 19, 2017, with respect to the Bonds, between the City and Goldman, Sachs & Co., on behalf of itself and the other underwriters named therein (collectively, the "*Underwriters*"). We have not independently verified such matters. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Official Statement.

In arriving at the conclusion hereinafter expressed, we are not expressing any opinion or view on, and with your permission are assuming and relying on, the validity, accuracy and sufficiency of the records, reports, documents, certificates and opinions referred to above (including the accuracy of all factual matters represented and legal conclusions contained therein). We have assumed that all records, reports, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

We are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Pension Section and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as special disclosure counsel to the City, to assist it in discharging its responsibility with respect to the Pension Section, we participated in conferences and correspondence with your representatives, representatives of the City, the City's attorneys, Co-Disclosure Counsel to the City, counsel to the Underwriters, and other persons involved in the preparation of information for the Pension Section, during which the contents of the Pension Section and related matters were discussed and revised. The purpose of our professional engagement was not to establish or confirm factual matters set forth in the Pension Section, and we have not undertaken any obligation to verify independently any of the factual matters set forth therein. Moreover, many of the determinations required to be made in the preparation of the Pension Section involve matters of a non-legal nature. Based on our participation in the above-mentioned conferences and correspondence, and in reliance thereon and on our limited review of the records, reports, documents, certificates, statements, representations, warranties, opinions and matters mentioned above, without independent verification, we advise you as a matter of fact and not opinion that, during our engagement as special disclosure counsel to the City in connection with the Pension Section, no facts came to the attention of the attorneys in our firm rendering legal services in connection with such limited role which caused us to believe that the Pension Section (apart from the financial statements or other financial, operating, numerical, accounting or statistical data or forecasts, estimates, projections, assumptions or expressions of opinion, or matters of litigation contained or incorporated therein, as to which we do not express any conclusion or belief) contained as of the dates of the Preliminary Official Statement and the Official Statement or contains as of the date hereof any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. No responsibility is undertaken or statement rendered herein with respect to any other portions of the Preliminary Official Statement or the Official Statement or any other disclosure document, materials or activity, or as to any information from another document or source referred to by or incorporated by reference in the Preliminary Official Statement or the Official Statement.

By acceptance of this letter you recognize and acknowledge that: (i) the preceding paragraph is not a legal opinion but is rather in the nature of negative observations based on certain limited activities performed by specific lawyers in our firm during our engagement to the City as special disclosure counsel in connection with the Pension Section; (ii) the scope of those activities performed by us for purposes of delivering this letter was inherently limited and does not purport to encompass all activities necessary for compliance with applicable securities laws; (iii) those activities performed by us rely on third party representations, warranties, certifications, statements and opinions, including and primarily, representations, warranties and certifications made by the City, and are otherwise subject to the conditions set forth herein; (iv) we have not been engaged to act, and have not acted, as your counsel for any purpose in connection with the issuance of the Bonds; (v) no attorney-client relationship exists or has at any time existed between us in connection with the Bonds or by virtue of this letter; and (vi) this letter is based upon our review of proceedings and other documents undertaken as part of our engagement with the City, and in order to deliver this letter we neither undertook any duties or responsibilities to you nor conducted any activities in addition to those undertaken or conducted for the benefit of, and requested by, the City. Consequently, we make no representation that our review has been adequate for your purposes.

We express herein no opinion or belief herein with respect to the validity of the Bonds or the taxation thereof or of the interest thereon, and our expression of belief with respect to the Pension Section assumes the validity of the Bonds and the tax treatment of the interest payable thereon for federal income tax purposes, all as set forth in the opinions of Co-Bond Counsel.

This letter is furnished by us in our limited capacity as special disclosure counsel to the City in connection with the Pension Section and is solely for the benefit of the Underwriters. This letter may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent, except that such letter may be referenced in the Preliminary Official Statement, the Official Statement and the Bond Purchase Agreement with respect to the Bonds and included in the transcript of proceedings for the Bonds. This letter is given as of the date hereof and we assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention.

Respectfully submitted,

EXHIBIT C

OPINION OF CORPORATION COUNSEL OF THE CITY

February 1, 2017

Goldman, Sachs & Co., as Representative of the
Underwriters named in the Bond Purchase
Agreement, dated January 19, 2017, between
such Underwriters and the City of Chicago

Ladies and Gentlemen:

This opinion is given to you pursuant to Section 10(1)(v) of that certain Bond Purchase Agreement dated January 19, 2017 (the "Bond Purchase Agreement"), between the City of Chicago (the "City") and Goldman, Sachs & Co., as representative of a group of underwriters (the "Representative"), with respect to the purchase of the $1,160,260,000 City of Chicago General Obligation Bonds, Project and Refunding Series 2017A and Taxable Project Series 2017B between the City and the Representative (the "Bonds"). The Bonds are being issued in accordance with the Trust Indenture between the City and Zions Bank, a division of ZB, National Association, as trustee (the "Trustee") dated as of February 1, 2017 (the "Indenture"). The Bonds are authorized by an ordinance of the City adopted by the City Council of the City (the "City Council") on October 5, 2016 (the "Ordinance"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Bond Purchase Agreement.

In connection with the issuance of the Bonds, I have caused to be examined a certified copy of the record of proceedings of the City Council pertaining to the issuance of the Bonds by the City, and executed counterparts, where applicable, of the following documents:

(a) the Ordinance;

(b) the Indenture;

(c) the Bond Purchase Agreement;

(d) that certain Continuing Disclosure Undertaking dated the date hereof pursuant to the requirements of Section (b)(5) of Rule 15c-12 of the Securities and Exchange Commission (the "Undertaking"); and

(e) Escrow Agreements dated the date hereof between the City and ________________, ________________, ________________, ________________, and ________________, each as an escrow agent (the "Escrow Agreements");

On the basis of such examination and review of such other information, records and documents as was deemed necessary or advisable, I am of the opinion that:

1. The City is a home rule unit of local government duly organized and existing under the Constitution and laws of the State of Illinois with full power and authority, among other things, to adopt the Ordinance, to authorize the issuance of the Bonds, and to execute and deliver the Indenture, the Bond Purchase Agreement, the Undertaking and the Escrow Agreements.

2. The Bond Purchase Agreement, the Indenture, the Undertaking and the Escrow Agreements have been duly authorized, executed and delivered by, and the Ordinance has been duly adopted by, the City, and, assuming the due execution and delivery by the other parties thereto, as appropriate, such instruments constitute legal and valid obligations of the City in each case enforceable in accordance with their respective terms except as may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies and the availability of equitable remedies generally.

3. To my knowledge, compliance with the provisions of the Bonds, the Ordinance, the Indenture, the Bond Purchase Agreement, the Undertaking and the Escrow Agreements does not conflict in a material manner with, or constitute a material breach of or material default under, any applicable law, administrative regulation, court order or consent decree of the State of Illinois, or any department, division, agency or instrumentality thereof or of the United States of America or any ordinance, agreement or other instrument to which the City is a party or is otherwise subject.

4. To my knowledge, all approvals, consents and orders of and filings (except with respect to state "blue sky" or securities laws) with any governmental authority, board, agency or commission having jurisdiction which would constitute conditions precedent to the performance by the City of its obligations under the Ordinance, the Indenture, the Bond Purchase Agreement, the Undertaking, the Escrow Agreements and the Bonds have been obtained.

5. There is no litigation or proceeding pending, or to my knowledge, threatened, materially affecting the existence of the City or seeking to restrain or enjoin the issuance of the Bonds, or contesting the validity or enforceability of the Bonds, the Ordinance, the Indenture, the Bond Purchase Agreement, the Undertaking, or the Escrow Agreements or the completeness or accuracy of the Official Statement, or the powers of the City or its authority with respect to the Bonds, the Ordinance, the Indenture, the Bond Purchase Agreement or the Undertaking.

Nothing has come to my attention which would lead me to believe that the Official Statement (excluding information under the captions "THE BONDS - Book-

Entry System" relating to the Depository Trust Company ("DTC"), "RATINGS," "UNDERWRITING," "TAX MATTERS," "APPENDIX B–ECONOMIC AND DEMOGRAPHIC INFORMATION" and "APPENDIX E -- OPINIONS OF CO-BOND COUNSEL," information sourced to sources other than the City or departments thereof, any information in or omitted from the Official Statement relating to DTC, any information in or omitted from the Official Statement relating to any information furnished by the Underwriters for use in the Official Statement, the financial statements and all other financial and statistical data contained in the Official Statement, including the Appendices thereto) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect.

No opinion is expressed as to any "blue sky" or other securities laws or as to the laws regarding taxation of any state or the United States of America, or any disclosure or compliance related thereto.

The statements contained herein are made in an official capacity and not personally and no personal responsibility shall derive from them. Further, the only opinions that are expressed are the opinions specifically set forth herein, and no opinion is implied or should be inferred as to any other matter or transaction.

No one other than you shall be entitled to rely on this opinion.

Very truly yours,

Stephen R. Patton
Corporation Counsel

EXHIBIT D

OPINION OF CO-DISCLOSURE COUNSEL

February ___, 2017

CITY OF CHICAGO
$1,160,260,000
General Obligation Bonds

$886,000,000
Project and Refunding Series 2017A

$274,260,000
Taxable Project Series 2017B

City of Chicago
Chicago, Illinois

Goldman, Sachs & Co.
as Representative of the Underwriters
Chicago, Illinois

Ladies and Gentlemen:

We have acted as co-disclosure counsel in connection with the issuance of the above-referenced bonds (the "***Bonds***") pursuant to a Bond Purchase Agreement dated January 19, 2017 (the "***Bond Purchase Agreement***") by and between the City of Chicago (the "***City***") and Goldman, Sachs & Co., on behalf of itself and the other underwriters named in the Bond Purchase Agreement (collectively referred to as the "***Purchasers***"). In connection with the issuance of the Bonds and in accordance with our understanding with the City, we rendered legal advice and assistance to the City in the course of the City's preparation and review of the Preliminary Official Statement dated January 4, 2017, as supplemented by the Supplement dated January 6, 2017 (together, the "***Preliminary Official Statement***") and the Official Statement dated January 19, 2017 (the "***Official Statement***"), relating to the Bonds.

In the course of such participation we have reviewed information furnished to us by, and have participated in conferences or otherwise with, the City's representatives, the City's Corporation Counsel, and the City's finance department; PFM Financial Advisors LLC and Public Alternative Advisors, LLC, as the City's co-financial advisors (the "***Financial Advisors***"); Mohanty Gargiulo LLC, as the City pricing advisor (the "***Pricing Advisor***"); the Purchasers; Schiff Hardin LLP and Sanchez Daniels & Hoffman LLP, as co-bond counsel ("***Co-Bond Counsel***"); Ice Miller, as underwriters' counsel ("***Underwriters' Counsel***"); and Chapman and Cutler LLP, as the City's special disclosure counsel ("*Special Disclosure Counsel*"). We have also reviewed certain documents, certificates and opinions delivered to the Purchasers and the City in connection with the issuance of the Bonds and other documents and records relating to the issuance and sale of the Bonds. In addition, we have relied upon statements, certificates and letters of the City's officials, the City's finance department, the City's Corporation Counsel, Co-Bond Counsel, Underwriters' Counsel, Special Disclosure Counsel, the Purchasers, the Pricing Advisor, and the Co-Financial Advisors. However, we have not independently investigated or verified the accuracy, completeness or fairness of any of the statements included in the Preliminary Official Statement or the Official Statement. In addition, we have assumed the genuineness of all signatures, the legal capacity of all individuals who have executed documents reviewed by us, the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as certified, photostatic, reproduced or conformed copies.

Based solely on the foregoing, we advise that, although we have made no independent investigation or verification of the accuracy, fairness or completeness of, and do not pass upon or assume any responsibility for, the statements included in the Preliminary Official Statement or the Official Statement, during the course of the activities described in the preceding paragraph, we are of the opinion that: (A) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and it is not necessary in connection with the public offering and sale of the Bonds to register any security under the Securities Act of 1933, as amended and no ordinance or indenture in respect of the Bonds is required to be qualified under the Trust Indenture Act of 1939, as amended, (B) the Continuing Disclosure Undertaking complies with the requirements of paragraph (b)(5) of Rule 15c2-12 in effect as of the date of the Closing and (C) nothing has come to our attention which would lead us to believe that the Preliminary Official Statement or the Official Statement and the Appendices thereto (excluding the financial statements and other financial and statistical data contained in the Preliminary Official Statement or the Official Statement, including APPENDICES B and C, the financial and actuarial data concerning the retirement plans for City employees contained in the Preliminary Official Statement or the Official Statement under the heading "RETIREMENT FUNDS," the descriptions of DTC and the DTC Book-Entry System, and the information included in the Preliminary Official Statement or the Official Statement under the captions "INDEPENDENT AUDITORS," "FINANCIAL ADVISORS AND INDEPENDENT REGISTERED MUNICIPAL ADVISORS," "CERTAIN VERIFICATIONS," "UNDERWRITING," and "TAX MATTERS," or any other information therein relating to the tax exempt status of the Bonds, including APPENDIX E, as to any of which no view is expressed), contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

This letter is issued to and for the sole benefit of the above addressees and is issued for the sole purpose of the transaction specifically referred to herein. No person other than the above addressees may rely upon this letter without our express prior written consent. This letter may not be utilized for any other purpose whatsoever and may not be quoted without our express prior written consent. We assume no obligation to review or supplement this letter subsequent to its date, whether by reasons of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason.

Respectfully,

EXHIBIT E

REPRESENTATION LETTER

City of Chicago
Department of Finance
121 North LaSalle Street, 7th Floor
Chicago, Illinois 60602
Attn.: Deputy Comptroller of Financial Policy

Goldman, Sachs & Co.
as Representative of the Underwriters
named in the Bond Purchase Agreement,
dated January 19, 2017, between such
Underwriters and the City of Chicago

Pursuant to the Bond Purchase Agreement dated January 19, 2017 (the "Purchase Agreement"), among the City of Chicago (the "City") and Goldman, Sachs & Co., as representative (the "Representative") of the underwriters named therein (each an "Underwriter") relating to the City's General Obligation Project and Refunding Bonds Series 2017A and Taxable Project Series 2017B, (the "Bonds"), each of the undersigned Underwriters severally represents to the City that:

(1) Neither the Underwriter, nor any Affiliate thereof is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the Bureau of Industry and Security of the U.S. Department of Commerce, the U.S. Department of State or their successors, or on any other list of persons or entities with which the City may not do business under any applicable law, rule, regulation, order or judgment: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List, the List of Statutorily Debarred Parties and the Excluded Parties List.

For purposes of this representation, "Affiliate," when used to indicate a relationship with a specified person or entity, means a person or entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified person or entity, and a person or entity shall be deemed to be controlled by another person or entity, if controlled in any manner whatsoever that results in control in fact by that other person or entity (or that other person or entity and any persons or entities with whom that other person or entity is acting jointly or in concert), whether directly or indirectly and whether through share ownership, a trust, a contract or otherwise.

(2) The undersigned Underwriters agree that in the event that any Underwriter or any of its Affiliates appears on any of the lists described in paragraph (1) above, at any time prior to the Closing (as defined in the Purchase Agreement) with respect to the Bonds, that Underwriter shall be deemed to have submitted to the Representative its Withdrawal From Agreement Among Underwriters.

(3) Each undersigned Underwriter understands and agrees that it is required to and will comply with the provisions of Chapter 2-56 of the Municipal Code of Chicago. Pursuant to Section 2-56-090 of the Municipal Code of Chicago, it shall be the

duty of each Underwriter to cooperate with the inspector general in any investigation or hearing undertaken pursuant to Chapter 2-56. Every Underwriter shall report, directly and without undue delay, to the City's inspector general any and all information concerning conduct by any person which such Underwriter knows to involve corrupt activity, pursuant to Section 2-156-018(b) of the Municipal Code of Chicago. Any Underwriter's knowing failure to report corrupt activity as required in subsection (b) of Section 2-156-018 of the Municipal Code of Chicago, shall constitute an event of default under the Purchase Agreement. For purposes of subsection (b) of Section 2-156-018 of the Municipal Code of Chicago, "corrupt activity" shall mean any conduct set forth in subparagraph (a)(1), (2) or (3) of Section 1-23-020 of the Municipal Code of Chicago:

(1) bribery or attempted bribery, or its equivalent under any local, state or federal law, of any public officer or employee of the City or of any sister agency; or

(2) theft, fraud, forgery, perjury, dishonesty or deceit, or attempted theft, fraud, forgery, perjury, dishonesty or deceit, or its equivalent under any local, state or federal law, against the City or of any sister agency; or

(3) conspiring to engage in any of the acts set forth in items (1) or (2) of above.

The Underwriters (individually and collectively) agree and covenant that no payment, gratuity or offer of employment shall be made in connection with the Purchase Agreement, by or on behalf of a subcontractor to the Underwriter or any higher-tier subcontractor or any person associated therewith, as an inducement for the award of a subcontract or order related to this Purchase Agreement.

[*Signature page follows*]

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: ___________, 2017

GOLDMAN, SACHS & CO. By: ______________ Its: Managing Director	MESIROW FINANCIAL, INC. By: ______________ Its: ______________
ESTRADA HINOJOSA By: ______________ Its: ______________	FIFTH THIRD SECURITIES, INC. By: ______________ Its: ______________
HARVESTONS SECURITIES, INC. By: ______________ Its: ______________	IFS SECURITIES By: ______________ Its: ______________
MELVIN & COMPANY By: ______________ Its: ______________	NORTH SOUTH CAPITAL LLC By: ______________ Its: ______________
SIEBERT CISNEROS SHANK & CO., L.L.C. By: ______________ Its: ______________	WILLIAM BLAIR By: ______________ Its: ______________

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: __________, 2017

GOLDMAN, SACHS & CO. By: ________________ Its: Managing Director	MESIROW FINANCIAL, INC. By: ________________ Its: ________________
ESTRADA HINOJOSA By: Carlos Buentello Its: Senior Vice President	FIFTH THIRD SECURITIES, INC. By: ________________ Its: ________________
HARVESTONS SECURITIES, INC. By: ________________ Its: ________________	IFS SECURITIES By: ________________ Its: ________________
MELVIN & COMPANY By: ________________ Its: ________________	NORTH SOUTH CAPITAL LLC By: ________________ Its: ________________
SIEBERT CISNEROS SHANK & CO., L.L.C. By: ________________ Its: ________________	WILLIAM BLAIR By: ________________ Its: ________________

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: ___________, 2017

GOLDMAN, SACHS & CO. By: ____________ Its: Managing Director	MESIROW FINANCIAL, INC. By: ____________ Its: ____________
ESTRADA HINOJOSA By: ____________ Its: ____________	FIFTH THIRD SECURITIES, INC. By: ____________ Its: ____________
HARVESTONS SECURITIES, INC. By: ____________ Its: PRESIDENT/CEO	IFS SECURITIES By: ____________ Its: ____________
MELVIN & COMPANY By: ____________ Its: ____________	NORTH SOUTH CAPITAL LLC By: ____________ Its: ____________
SIEBERT CISNEROS SHANK & CO., L.L.C. By: ____________ Its: ____________	WILLIAM BLAIR By: ____________ Its: ____________

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: _January 11_, 2017

GOLDMAN, SACHS & CO. By: ____________________ Its: Managing Director	MESIROW FINANCIAL, INC. By: ____________________ Its: ____________________
ESTRADA HINOJOSA By: ____________________ Its: ____________________	FIFTH THIRD SECURITIES, INC. By: ____________________ Its: ____________________
HARVESTONS SECURITIES, INC. By: ____________________ Its: ____________________	IFS SECURITIES By: ____________________ Its: ____________________
MELVIN & COMPANY By: James F. Cat Its: ___Managing Director___	NORTH SOUTH CAPITAL LLC By: ____________________ Its: ____________________
SIEBERT CISNEROS SHANK & CO., L.L.C. By: ____________________ Its: ____________________	WILLIAM BLAIR By: ____________________ Its: ____________________

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: ___________, 2017

GOLDMAN, SACHS & CO. By: ______________________ Its: Managing Director	MESIROW FINANCIAL, INC. By: ______________________ Its: ______________________
ESTRADA HINOJOSA By: ______________________ Its: ______________________	FIFTH THIRD SECURITIES, INC. By: ______________________ Its: ______________________
HARVESTONS SECURITIES, INC. By: ______________________ Its: ______________________	IFS SECURITIES By: ______________________ Its: ______________________
MELVIN & COMPANY By: ______________________ Its: ______________________	NORTH SOUTH CAPITAL LLC By: ______________________ Its: ______________________
SIEBERT CISNEROS SHANK & CO., L.L.C. By: [signature] Its: MANAGING DIRECTOR	WILLIAM BLAIR By: ______________________ Its: ______________________

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: ____________, 2017

GOLDMAN, SACHS & CO. By: ______________________ Its: Managing Director	MESIROW FINANCIAL, INC. By: ______________________ Its: Senior Managing Director
ESTRADA HINOJOSA By: ______________________ Its: ______________________	FIFTH THIRD SECURITIES, INC. By: ______________________ Its: ______________________
HARVESTONS SECURITIES, INC. By: ______________________ Its: ______________________	IFS SECURITIES By: ______________________ Its: ______________________
MELVIN & COMPANY By: ______________________ Its: ______________________	NORTH SOUTH CAPITAL LLC By: ______________________ Its: ______________________
SIEBERT CISNEROS SHANK & CO., L.L.C. By: ______________________ Its: ______________________	WILLIAM BLAIR By: ______________________ Its: ______________________

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: ____________, 2017

GOLDMAN, SACHS & CO. By: ____________________ Its: Managing Director	MESIROW FINANCIAL, INC. By: ____________________ Its: ____________________
ESTRADA HINOJOSA By: ____________________ Its: ____________________	FIFTH THIRD SECURITIES, INC. By: ____________________ Its: Managing Director
HARVESTONS SECURITIES, INC. By: ____________________ Its: ____________________	IFS SECURITIES By: ____________________ Its: ____________________
MELVIN & COMPANY By: ____________________ Its: ____________________	NORTH SOUTH CAPITAL LLC By: ____________________ Its: ____________________
SIEBERT CISNEROS SHANK & CO., L.L.C. By: ____________________ Its: ____________________	WILLIAM BLAIR By: ____________________ Its: ____________________

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: ____________, 2017

GOLDMAN, SACHS & CO. By: ______________ Its: Managing Director	MESIROW FINANCIAL, INC. By: ______________ Its: ______________
ESTRADA HINOJOSA By: ______________ Its: ______________	FIFTH THIRD SECURITIES, INC. By: ______________ Its: ______________
HARVESTONS SECURITIES, INC. By: ______________ Its: ______________	IFS SECURITIES Keith Wakefield By: Keith Wakefield Its: Managing Director
MELVIN & COMPANY By: ______________ Its: ______________	NORTH SOUTH CAPITAL LLC By: ______________ Its: ______________
SIEBERT CISNEROS SHANK & CO., L.L.C. By: ______________ Its: ______________	WILLIAM BLAIR By: ______________ Its: ______________

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: __________, 2017

GOLDMAN, SACHS & CO. By: ________________ Its: Managing Director	MESIROW FINANCIAL, INC. By: ________________ Its: ________________
ESTRADA HINOJOSA By: ________________ Its: ________________	FIFTH THIRD SECURITIES, INC. By: ________________ Its: ________________
HARVESTONS SECURITIES, INC. By: ________________ Its: ________________	IFS SECURITIES By: ________________ Its: ________________
MELVIN & COMPANY By: ________________ Its: ________________	NORTH SOUTH CAPITAL LLC By: Jesse Ott Its: President
SIEBERT CISNEROS SHANK & CO., L.L.C. By: ________________ Its: ________________	WILLIAM BLAIR By: ________________ Its: ________________

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: ___________, 2017

GOLDMAN, SACHS & CO. By: ____________ Its: Managing Director	MESIROW FINANCIAL, INC. By: ____________ Its: ____________
ESTRADA HINOJOSA By: ____________ Its: ____________	FIFTH THIRD SECURITIES, INC. By: ____________ Its: ____________
HARVESTONS SECURITIES, INC. By: ____________ Its: ____________	IFS SECURITIES By: ____________ Its: ____________
MELVIN & COMPANY By: ____________ Its: ____________	NORTH SOUTH CAPITAL LLC By: ____________ Its: ____________
SIEBERT CISNEROS SHANK & CO., L.L.C. By: ____________ Its: ____________	WILLIAM BLAIR By: [signature] Its: Vice President

EXHIBIT 2

OFFICIAL STATEMENT DATED JANUARY 19, 2017

NEW ISSUE-GLOBAL BOOK ENTRY **RATINGS: See "RATINGS" herein.**

Subject to the accuracy of certain representations and continuing compliance by the City of Chicago with certain covenants, in the respective opinions of Schiff Hardin LLP and Sanchez Daniels & Hoffman LLP, Co-Bond Counsel, under present law, interest on the Series 2017A Bonds is excludable from the gross income of their owners for federal income tax purposes and thus is exempt from present federal income taxes based upon gross income. Such interest is not included as an item of tax preference in computing the federal alternative minimum tax on individuals and corporations, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Series 2017B Bonds is includable in the gross income of their owners for federal income tax purposes. Interest on the Bonds is not exempt from present Illinois income taxes. See "TAX MATTERS" in this Official Statement for a more complete discussion of these matters.

$1,160,260,000
CITY OF CHICAGO
General Obligation Bonds

$886,000,000	$274,260,000
Project and Refunding Series 2017A	**Taxable Project Series 2017B**

Dated: Date of Delivery **Due: January 1, as shown on the inside front cover**

The City of Chicago General Obligation Bonds, Project and Refunding Series 2017A (the "*Series 2017A Bonds*") and Taxable Project Series 2017B (the "*Series 2017B Bonds*" and collectively with the Series 2017A Bonds, the "*Bonds*") are issuable as fully registered bonds and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("*DTC*"). DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. Ownership by the beneficial owners of the Bonds will be evidenced by book-entry only. The Bonds are issuable in denominations of $5,000 or any integral multiple thereof.

Interest on the Bonds will accrue from the date of issuance and be payable on each January 1 and July 1, commencing July 1, 2017. Principal of and interest on each Series of the Bonds will be paid by Zions Bank, a division of ZB, National Association, Chicago, Illinois, as trustee under the Indenture described herein, to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Bonds will be made to such registered owner, and disbursal of such payments will be the responsibility of DTC and its participants. See "THE BONDS—Book-Entry System."

The proceeds of the Series 2017A Bonds will be used to (i) pay a portion of the costs of the 2017 Projects; (ii) refund or pay interest on all or a portion of certain outstanding general obligation bonds of the City; (iii) fund certain capitalized interest on the Series 2017A Bonds; and (iv) pay costs of issuance of the Series 2017A Bonds. The proceeds of the Series 2017B Bonds will be used to (i) pay a portion of the costs of the 2017 Projects; (ii) pay certain judgments and settlements; and (iii) pay costs of issuance of the Series 2017B Bonds. See "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS."

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS—Redemption."

For maturities, principal amounts, interest rates, yields, prices and CUSIP numbers of the Bonds, see the inside front cover.

The Bonds are direct and general obligations of the City and all taxable property in the City is subject to a levy of ad valorem property taxes to pay the Bonds and the interest thereon without limitation as to rate or amount. The City has pledged its full faith and credit for the payment of the principal of and interest on the Bonds. See "SECURITY FOR THE BONDS" herein.

Prospective investors should read this Official Statement in its entirety prior to making an investment decision to purchase the Bonds.

The Bonds are being offered when, as and if issued, and subject to the delivery of approving legal opinions by Schiff Hardin LLP, Chicago, Illinois, and Sanchez Daniels & Hoffman LLP, Chicago, Illinois, Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed on for the City by (i) its Corporation Counsel, (ii) in connection with the preparation of this Official Statement, Burke, Warren, MacKay & Serritella, P.C., Chicago, Illinois, and Golden Holley James, LLP, Chicago, Illinois, Co-Disclosure Counsel to the City, and (iii) in connection with certain pension matters described in this Official Statement, Chapman and Cutler LLP, Chicago, Illinois, Special Disclosure Counsel to the City. Certain legal matters will be passed on for the Underwriters by Ice Miller LLP, Chicago, Illinois, Underwriters' Counsel. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about February 1, 2017.

Goldman, Sachs & Co.

Mesirow Financial, Inc. **Estrada Hinojosa**

Fifth Third Securities, Inc. **Harvestons Securities, Inc.** **IFS Securities** **Melvin & Company**

North South Capital LLC **Siebert Cisneros Shank & Co., L.L.C.** **William Blair**

Dated: January 19, 2017

Certain information contained in, or incorporated by reference in, this Official Statement has been obtained by the City of Chicago (the "*City*") from The Depository Trust Company and other sources that are deemed reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information by the Underwriters or the City. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. This Official Statement is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

No dealer, broker, salesperson or any other person has been authorized by the City or the Underwriters to give any information or to make any representation other than as contained in this Official Statement in connection with the offering of the Bonds described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Bonds.

This Official Statement, including the Appendices (except for certain information in (i) APPENDIX B—"ECONOMIC AND DEMOGRAPHIC INFORMATION" and (ii) "Source Information" as defined and used in "RETIREMENT FUNDS—Payment for Pension Benefits," all of which is sourced to parties other than the City), contains certain opinions, estimates and forward-looking statements and information, including the estimates and projections set forth under the caption "FINANCIAL DISCUSSION AND ANALYSIS—General Fund—*General Fund Financial Forecasts*," that are based on the City's beliefs as well as assumptions made by and information currently available to the City. Such opinions, estimates, projections and forward-looking statements set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the City, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of the City's knowledge and belief, the expected course of action and the expected future financial performance of the City. However, this information is not fact and should not be relied upon as being necessarily indicative of future results. Readers of this Official Statement are cautioned not to place undue reliance on such opinions, statements or prospective financial information.

The prospective financial information set forth in this Official Statement, except for certain information sourced to parties other than the City, is solely the product of the City. Neither the City's independent auditors, nor any other independent auditors, have compiled, examined, or performed any procedures with respect to, or been consulted in connection with the preparation of, the prospective financial information and forward-looking statements contained herein. The City's independent auditors assume no responsibility for the content of the prospective financial information set forth in this Official Statement, including any 2016 year-end estimates and 2017-2019 projections, disclaim any association with such prospective financial information, and have not, nor have any other independent auditors, expressed any opinion or any other form of assurance on such information or its achievability.

References to web site addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAW OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS.

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CITY OF CHICAGO
General Obligation Bonds

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INTRODUCTION

This Official Statement is furnished by the City of Chicago (the "*City*") to provide information with respect to the City's $1,160,260,000 General Obligation Bonds, City of Chicago General Obligation Bonds, consisting of $886,000,000 Project and Refunding Series 2017A (the "*Series 2017A Bonds*"), and $274,260,000 Taxable Project Series 2017B (the "*Series 2017B Bonds*" and collectively with the Series 2017A Bonds, the "*Bonds*"). Certain capitalized terms used in this Official Statement, unless otherwise defined, are defined in APPENDIX A—"SUMMARY OF THE INDENTURE—Glossary of Terms."

The Bonds are direct and general obligations of the City and all taxable property in the City is subject to the levy of *ad valorem* property taxes to pay the Bonds and the interest thereon without limitation as to rate or amount. The Bonds shall be payable, as to principal and interest, from any moneys, revenues, receipts, income, assets or funds of the City legally available for such purpose, including, but not limited to, the proceeds of a direct annual tax levied by the City in the Bond Ordinance (hereinafter defined) upon all taxable property located in the City sufficient to pay the principal of and interest on the Bonds. The City has pledged its full faith and credit to the payment of the Bonds. See "SECURITY FOR THE BONDS."

The proceeds of the Series 2017A Bonds will be used to (i) pay a portion of the costs of the 2017 Projects; (ii) refund or pay interest on all or a portion of certain outstanding general obligation bonds of the City; (iii) fund certain capitalized interest on the Series 2017A Bonds; and (iv) pay costs of issuance of the Series 2017A Bonds. The proceeds of the Series 2017B Bonds will be used to (i) pay a portion of the costs of the 2017 Projects; (ii) pay certain judgments and settlements; and (iii) pay costs of issuance of the Series 2017B Bonds. See "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS."

The Bonds are being issued under the authority granted to the City as a home rule unit of local government under the Illinois Constitution of 1970. The Bonds are authorized by an ordinance adopted by the City Council of the City (the "*City Council*") on October 5, 2016 (the "*Bond Ordinance*") and are being issued pursuant to a Trust Indenture (the "*Indenture*"), dated as of February 1, 2017, between the City and Zions Bank, a division of ZB, National Association, as trustee (the "*Trustee*").

THE CITY

General

Chicago is the third largest city in the United States with a population of approximately 2.7 million. The City, located on the shores of Lake Michigan in the Midwestern United States, is the commercial and cultural center of a large and diverse regional economy. Trade, transportation, utilities, professional and business services, education and health services, government, leisure and hospitality and manufacturing are among the Chicago region's largest industry sectors. The City's transportation and distribution network includes Chicago O'Hare International Airport (ranked fourth worldwide and second in the United States in 2015 in terms of total passengers), rail traffic interchanges for the country's six largest freight railroad companies, and two ports capable of handling ocean-going ships and barges. See APPENDIX B—"ECONOMIC AND DEMOGRAPHIC INFORMATION."

Government

The City was incorporated in 1837. The City is a municipal corporation and home rule unit of local government under the Illinois Constitution of 1970 and as such, "may exercise any power and perform any function pertaining to its government and affairs including, but not limited to, the power to regulate for the protection of the public health, safety, morals and welfare; to license; to tax; and to incur debt" except that it can "impose taxes upon or measured by income or earnings or upon occupation" only if authorized by statute.

The Mayor and the City Council govern the City. The City Clerk and the City Treasurer along with the Mayor are the only three Citywide elected officials. The City is divided into fifty legislative districts, or wards. Each ward is represented by an alderman who is elected by their constituency. The citywide officials and the fifty aldermen are elected to serve coterminous four-year terms. The aldermen comprise the 50-person City Council, which serves as the legislative branch of government of the City. The legislative powers of the City Council are granted by the State legislature and by home rule provisions of the Illinois Constitution.

As the legislative body of the City, the City Council usually meets once every month to exercise general and specific powers delegated by State law. The City Council votes on loans extended by the City that exceed certain limits, bond issues, the City's short-term borrowing programs (whether general obligation or revenue), land acquisitions and sales, zoning changes, traffic control issues, certain mayoral appointees, and financial appropriations. Its standing committees work with individual departments on the execution of City activities, and review proposed ordinances, resolutions and orders before they are voted on by the full City Council.

The Committee on Finance of the City Council considers ordinances, orders or resolutions that are referred or submitted to the Committee on Finance by aldermen, the Office of the Mayor, various City departments, and the general public. The Committee on Finance has jurisdiction over financial matters, including tax levies; general obligation bonds and revenue bonds; the financing of municipal services and capital improvements; matters generally affecting the Department of Finance; the City Comptroller, and the City Treasurer; claims under the Workmen's Compensation Act; the Condominium Refuse Rebate Program; and all pecuniary claims against the City.

THE BONDS

General

The Bonds mature on January 1 of the years and in the amounts set forth on the inside front cover of this Official Statement. The Bonds are fully registered bonds. The Bonds are issuable in denominations of $5,000 or any integral multiple thereof.

Each Bond will bear interest at the rates set forth on the inside cover of this Official Statement from the later of its date or the most recent Interest Payment Date to which interest has been paid or duly provided for, until the principal amount of such Bond is paid, such interest being payable on January 1 and July 1 of each year, commencing on July 1, 2017. Interest on each Bond will be paid to the person in whose name such Bond is registered at the close of business on the Record Date next preceding the applicable Interest Payment Date.

The Trustee will serve as bond registrar and paying agent for the Bonds. The Bonds are registered through a book-entry only system operated by The Depository Trust Company, New York, New York ("*DTC*"). Details of payments of the Bonds when in the book-entry only system are described under "—Book-Entry System" below. Except as described under "—Book-Entry System—General" below, Beneficial Owners of the Bonds will not receive or have the right to receive physical delivery of such Bonds, and will not be or be considered to be the Registered Owners thereof. Accordingly, Beneficial Owners must rely upon (i) the procedures of DTC and, if such Beneficial Owner is not a DTC "Direct Participant" or "Indirect Participant" (as defined below), the Direct or Indirect Participant who will act on behalf of such Beneficial Owner to receive notices and payments of principal and interest or Redemption Price of such Bonds, and to exercise voting rights and (ii) the records of DTC and, if such Beneficial Owner is not a Direct or Indirect Participant, such Beneficial Owner's Direct or Indirect Participant, to evidence its beneficial ownership of such Bonds. So long as DTC or its nominee is the Registered Owner of the Bonds, references herein to Bondholders or Registered Owners of such Bonds mean DTC or its nominee and do not mean the Beneficial Owners of such Bonds. The laws of some states may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to transfer beneficial interests in a Bond.

Payment of the Bonds

The principal of the Bonds will be payable in lawful money of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, upon presentation and surrender thereof at the Designated Corporate Trust Office of the Trustee.

Interest on each Bond will be paid to the person in whose name such Bond is registered at the close of business on the Record Date next preceding the applicable Interest Payment Date, by check or draft of the Trustee, or, at the option of any registered owner of $1,000,000 or more in aggregate principal amount of Bonds of a series, by wire transfer of immediately available funds to such bank in the continental United States of America as the registered owner of such Bonds requests in writing to the Trustee.

Redemption

The Bonds are subject to both optional and mandatory redemption prior to maturity, as described below. The Bonds shall be redeemed only in principal amounts of $5,000 and integral multiples thereof.

Optional Redemption of Series 2017A Bonds

The Series 2017A Bonds are subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after January 1, 2027, and if less than all of the outstanding Series 2017A Bonds of a single maturity are to be redeemed the Series 2017A Bonds called shall be called by lot, in such principal amounts and from such maturities as the City shall determine, at a redemption price equal to the principal amount of the Series 2017A Bonds being redeemed plus accrued interest to the date fixed for redemption.

Optional Redemption of Series 2017B Bonds with Make Whole Payment

The Series 2017B Bonds shall be subject to redemption prior to maturity at the option of the City, in whole or in part, and if in part from such maturities and interest rates as shall be determined by an Authorized Officer on any Business Day (as defined below) at a redemption price equal to the greater of: (A) the principal amount of such Series 2017B Bonds to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on such Series 2017B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date such Series 2017B Bonds are to be redeemed, discounted to the date of redemption of such Series 2017B Bonds to be redeemed on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 70 basis points plus accrued interest on such Bonds being redeemed to the date fixed for redemption.

The make whole optional redemption price of the Series 2017B Bonds to be redeemed will be calculated by an independent accounting firm, investment banking firm or financial advisor (the "*Calculation Agent*") retained by the City at the City's expense. The Bond Registrar and the City may rely on the Calculation Agent's determination of the make whole optional redemption price and will not be liable for such reliance. An Authorized Officer shall confirm and transmit the redemption price as so calculated on such dates and to such parties as shall be necessary to effectuate such redemption.

The "*Treasury Rate*" is, as of any redemption date for the Series 2017B Bonds, the yield to maturity as of such redemption date of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that is publicly available four Business Days (as defined below) prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bonds of such series to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year will be used. "*Business Day*" means any day other than a day on which banks in New York, New York, Chicago, Illinois, or the city in which the Bond Registrar maintains its designated office are required or authorized to close. The Treasury Rate will be determined by an independent accounting firm, investment banking firm, or financial advisor retained by the City at the City's expense.

The City is authorized to sell or waive any right the City may have to call any of the Bonds for optional redemption, in whole or in part; provided, that such sale or waiver will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes.

Mandatory Redemption

The Series 2017A Bonds maturing on January 1, 2038 are subject to mandatory redemption prior to maturity on January 1 of the years and in the amounts set forth below, at a Redemption Price equal to 100 percent of the principal amount thereof plus accrued interest to the date fixed for redemption:

Year	Principal Amount
2035	$ 35,605,000
2036	224,380,000
2037	308,450,000
2038*	144,555,000

*Final maturity

The Series 2017B Bonds maturing on January 1, 2029 are subject to mandatory redemption prior to maturity on January 1 of the years and in the amounts set forth below, at a Redemption Price equal to 100 percent of the principal amount thereof plus accrued interest to the date fixed for redemption:

Year	Principal Amount
2021	$38,320,000
2022	32,540,000
2023	25,895,000
2024	27,710,000
2025	29,615,000
2026	31,725,000
2027	34,030,000
2028	36,460,000
2029*	17,965,000

*Final maturity

Reduction of Mandatory Redemption Amounts

The principal amount of the Bonds of a series to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof. Any partial optional redemption of a series of Bonds of a maturity will be credited against future mandatory redemption requirements for that maturity in such order of the mandatory redemption dates as the City may determine.

In addition, on or prior to the sixtieth (60th) day preceding any mandatory redemption date, the Trustee, if directed by the City, shall purchase the Bonds required to be retired on such mandatory redemption date at such prices as the City shall determine. Any Bond so purchased shall be canceled and the principal amount thereof shall be credited against the payment required on such next mandatory redemption date.

Selection of Bonds for Redemption

While the Bonds of a series are registered in the book-entry system and so long as DTC or a successor securities depository is the sole registered owner of such Bonds, if less than all of the Bonds of such series and maturity are to be redeemed prior to maturity, the particular Bonds or portions of such Bonds will be selected by lot by DTC or such successor securities depository in such manner as DTC or such successor securities depository may determine. See "THE BONDS—Book-Entry System." If the Bonds are not registered in the book-entry system, the following procedures for the selection of such Bonds shall apply.

If less than all the Bonds of a series shall be called for redemption under any provision of the Indenture permitting such partial redemption, (i) such redemption shall be by lot in such manner as the Trustee may determine among such Bonds, and (ii) subject to other applicable provisions of the Indenture, the portion of any Bond to be redeemed shall be in a principal amount equal to an Authorized Denomination. In selecting Bonds for redemption, the Trustee shall assign to each Bond of like series, Maturity Date, and interest rate a distinctive number for each minimum Authorized Denomination of such Bond and shall select by lot from the numbers so assigned as many numbers as, at such minimum Authorized Denomination for each number, shall equal the principal amount of such Bonds to be redeemed. In such case, the Bonds to be redeemed shall be those to which were assigned numbers so selected; provided that only so much of the principal amount of each Bond shall be redeemed as shall equal such minimum Authorized Denomination for each number assigned to it and so selected. If it is determined that one or more, but not all, of the integral multiples of the Authorized Denomination of principal amount represented by any Bond is to be called for redemption, then, upon notice of intention to redeem such integral multiple of an Authorized Denomination, the Registered Owner of such Bond shall forthwith surrender such Bond to the Trustee for (a) payment to such Registered Owner of the Redemption Price of the integral multiple of the Authorized Denomination of principal amount called for redemption, and (b) delivery to such Registered Owner of a new Bond or Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such Bond. New Bonds representing the unredeemed balance of the principal amount of such Bond shall be issued to the Registered Owner thereof without charge therefor.

Notice of Redemption

Unless waived by any owner of Bonds to be redeemed, notice of the call for any such redemption shall be given by the Trustee on behalf of the City by mailing the redemption notice by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Trustee, but the failure to mail any such notice or any defect therein as to any Bond shall not affect the validity of the proceedings for the redemption of any other Bond. Any notice of redemption mailed as provided under the Indenture shall be conclusively presumed to have been given whether or not actually received by the addressee. All notices of redemption with respect to the Bonds shall state: (1) the series designation of the Bonds to be redeemed; (2) the redemption date; (3) the Redemption Price; (4) if less than all outstanding Bonds of a series are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts and interest rates) of the Bonds of such series to be redeemed; (5) that on the redemption date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue or compound from and after said date; (6) the place where such Bonds are to be surrendered for payment of the Redemption Price; and (7) such other information as shall be deemed necessary by the Trustee at the time such notice is given to comply with law, regulation or industry standard.

With respect to an optional redemption of Bonds, such notice may state that said redemption is conditioned upon the receipt by the Trustee on or prior to the date fixed for redemption of moneys sufficient to pay the applicable Redemption Price of such Bonds. If such moneys are not so received, such redemption notice shall be of no force and effect, the City shall not redeem such Bonds and such failure to deposit such funds shall not constitute an Event of Default under the Indenture. The Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed. Unless the notice of redemption shall be made conditional as provided above, on or prior to any redemption date for the Bonds, the City shall deposit with the Trustee an amount of money sufficient to pay the applicable Redemption Price of all the Bonds or portions thereof which are to be redeemed on that date.

Book-Entry System

General

The following information concerning DTC has been furnished by DTC for use in this Official Statement and neither the City nor the any of the Underwriters takes any responsibility for its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully registered Bond will be issued for each Series and maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each offered Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a Series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Money Management Institute ("*MMI*") Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the City or the Trustee, as applicable, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City and the Trustee; disbursement of such payments to Direct Participants will be the responsibility of DTC; and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the Bonds are required to be printed and delivered.

Discontinued Use of Book-Entry System

The City may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered.

Procedures May Change

Although DTC has agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants, DTC is under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by DTC.

The information in this section concerning DTC and the Book-Entry System has been obtained from sources that the City believes to be reliable, but neither the City nor any of the Underwriters takes any responsibility for the accuracy thereof.

Additional Information

For every transfer and exchange of the Bonds, the Trustee and DTC and the Participants may charge the Beneficial Owner a sum sufficient to cover any tax, fee or other charge that may be imposed in relation thereto.

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION WITH RESPECT TO (I) THE ACCURACY OF THE RECORDS OF DTC, CEDE & CO. OR ANY PARTICIPANT WITH RESPECT TO ANY OWNERSHIP INTEREST IN THE BONDS, (II) THE DELIVERY TO ANY PARTICIPANT OR ANY OTHER PERSON, OTHER THAN AN OWNER, OF ANY NOTICE WITH RESPECT TO THE BONDS, INCLUDING ANY NOTICE OF REDEMPTION, OR (III) THE PAYMENT TO ANY PARTICIPANT OR ANY OTHER PERSON, OTHER THAN AN OWNER, OF ANY AMOUNT WITH RESPECT TO PRINCIPAL OF OR INTEREST ON THE BONDS.

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry System, references in other sections of this Official Statement to Registered Owners should be read to include the person for which a Participant acquires an interest in the Bonds, but (a) all rights of ownership must be exercised through DTC and the Book-Entry System, and (b) notices that are to be given to Registered Owners will be given only to DTC.

Bonds Not Presented for Payment

If any Bond is not presented for payment when the principal amount thereof becomes due, either at maturity or at a date fixed for redemption thereof or otherwise, and if moneys sufficient to pay such Bond are held by the Trustee for the benefit of the Registered Owner of such Bond, the Trustee shall hold such moneys for the benefit of the Registered Owner of such Bond without liability to the Registered Owner for interest. The Registered Owner of such Bond thereafter shall be restricted exclusively to such funds for satisfaction of any claims relating to such Bond.

Registration and Transfers

The Bond Register for the registration and transfer of the Bonds will be kept at the Designated Corporate Trust Office of the Trustee, as the registrar for the City in connection with the Bonds. See "THE BONDS—Book-Entry System" for a discussion of registration and transfer of the beneficial ownership interests in Bonds while they are in the Book-Entry System. The following provisions relate to the registration and transfer of Bonds when such Bonds are in certificated form.

Upon surrender for registration of transfer of any Bond at the Designated Corporate Trust Office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by the Bondholder or such Bondholder's attorney duly authorized in writing in such form and with guarantee of signature as shall be satisfactory to the Trustee, the City shall execute, and the Trustee shall authenticate and deliver, in the name of the transferee or transferees, one or more fully registered Bonds of the same Maturity Date and Series of Authorized Denominations, for a like principal amount bearing numbers not contemporaneously outstanding. Subject to the limitations described in the following paragraph, Bonds may be exchanged at the Designated Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of the same Maturity Date and Series of other Authorized Denominations bearing numbers not contemporaneously outstanding.

The Trustee shall not be required to transfer or exchange any Bond during the period commencing on the Record Date next preceding any Interest Payment Date of such Bond and ending on such Interest Payment Date, or to transfer or exchange such Bond after the mailing of notice calling such Bond for redemption has been made as provided in the Indenture or during the period of 15 days next preceding the giving of notice of redemption of Bonds of the same Maturity Date and Series.

No service charge shall be made for any transfer or exchange of Bonds, but the City or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of such Bonds, except that no such payment may be required in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

Bonds delivered upon any registration of transfer or exchange will be valid general obligations of the City, evidencing the same debt as the Bonds surrendered, will be secured by the Indenture and will be entitled to all of the security and benefits of the Indenture and of the Bond Ordinance to the same extent as such Bond surrendered.

Registered Owner Treated as Absolute Owner

The City, the Trustee and any Paying Agent may treat the Registered Owner of any Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and shall not be bound by any notice to the contrary. All payments of or on account of the principal of and interest on any such Bond as provided in the Indenture shall be made only to or upon the written order of the Registered Owner thereof or such Registered Owner's legal representative, but such registration may be changed as provided in the Indenture. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

SECURITY FOR THE BONDS

General Obligation of the City

The Bonds are direct and general obligations of the City and all taxable property in the City is subject to the levy of *ad valorem* property taxes to pay the Bonds and the interest thereon without limitation as to rate or amount. The Bonds are payable, as to principal and interest, from any moneys, revenues, receipts, income, assets or funds of the City legally available for such purpose including, but not limited to, the proceeds of a direct annual tax levied by the City in the Bond Ordinance (the "*Bond Property Tax Levy*") upon all taxable property located in the City in an amount not less than the principal of and interest on the Bonds. The Bond Ordinance also authorizes the City to use the proceeds of the Bond Property Tax Levy for costs of certain ongoing financing services related to the Bonds. The Bond Property Tax Levy will be on file with the County Clerks of Cook and DuPage Counties, Illinois (the "*County Clerks*") at the time of issuance of the Bonds. See "FINANCIAL DISCUSSION AND ANALYSIS—Property Taxes" and APPENDIX D—"PROPERTY TAXES."

The City pledged its full faith and credit to the payment of the Bonds. Under the Bond Ordinance, the City is obligated to appropriate amounts sufficient to pay principal of and interest on the Bonds authorized by the Ordinance for the years such amounts are due, and the City covenanted in the Bond Ordinance to take timely action as required by law to carry out such obligation; however, if for any such year the City fails to do so, the Bond Ordinance constitutes a continuing appropriation of such amounts without any further action by the City.

If the revenues raised by the Bond Property Tax Levy are not available in time to make any payments of principal of or interest on the Bonds when due, then the appropriate fiscal officers of the City are directed in the Bond Ordinance to make such payments from any other moneys, revenues, receipts, income, assets or funds of the City that are legally available for that purpose in advance of the collection of the Bond Property Tax Levy.

Property Tax Collection Process for the Bonds

The City's annual aggregate property tax levy is used primarily to pay debt service on the City's general obligation debt and to fund City contributions to the City's pension plans. See "FINANCIAL DISCUSSION AND ANALYSIS—Property Taxes." The Bond Property Tax Levy is included in the calculation of the City's annual aggregate property tax levy.

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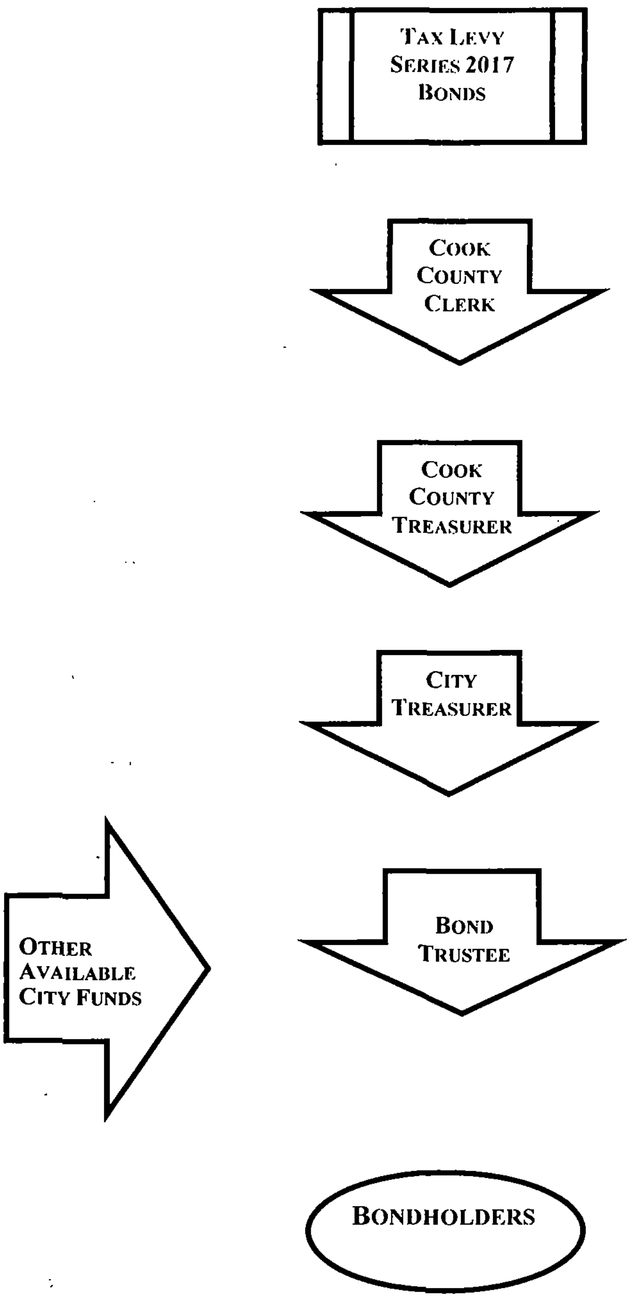
Set forth below is a general schematic of the process by which the Bond Property Tax Levy in Cook County (being the County in which approximately 99.99 percent of the taxable property in the City is located) is levied, billed, collected, and remitted to the City and, ultimately, to the Trustee.



The Bond Ordinance provides for the levy and collection of a direct annual tax upon all taxable property in the City in not less than the amount needed to make payments of debt service on the Bonds, and a certified copy of the Bond Ordinance is filed with the County Clerk prior to the issuance of the Bonds.

The City informs the County Clerk of its annual aggregate tax levy (which includes confirmation of the Bond Property Tax Levy), and the County Clerk determines the property tax for the City and all overlapping taxing districts for each City parcel.

The County Treasurer issues the tax bills, collects the property taxes, and remits the City's share of property taxes to the City Treasurer.

The City Treasurer deposits the portion of the property taxes earmarked for general obligation debt (including the Bonds) into the Bond, Note Redemption and Interest Fund held by the City Treasurer described in the paragraph following this chart.

The City Treasurer remits from the Bond, Note Redemption and Interest Fund an amount equal to the Principal and Interest Account Requirement for the Bonds to the Trustee for deposit into the Bond Fund established under the Indenture sufficiently in advance to enable the Trustee to make debt service payments on the Bonds on or prior to the scheduled debt service payment dates. If property taxes are insufficient, payments to the Trustee are to be made from any other legally available revenues.

The Trustee makes the principal and interest payments for the Bonds to the Bondholders thereof on the scheduled debt service payment dates.

As shown above, when property taxes are remitted by the Cook County Treasurer to the City, the property taxes for debt service are deposited and held in the Bond, Note Redemption and Interest Fund maintained by the City Treasurer. The Bond, Note Redemption and Interest Fund is used for the payment of debt service on all of the City's general obligation bonds, including the Bonds, for which the City has levied property taxes, and is one of a number of governmental funds used by the City to account for its governmental activities.

Lien and Security Interest Status

Bondholders do not have a statutory lien on remittances from the Bond Property Tax Levy or any other funds on deposit in the Bond, Note Redemption and Interest Fund. The Bond, Note Redemption and Interest Fund is held by the City Treasurer. Until remittances from the Bond Property Tax Levy are deposited with the Trustee as required by the Indenture, any claim for payment made by Bondholders against such funds, or any other funds in the Bond, Note Redemption and Interest Fund, will be subject to any competing claims which may exist against such funds. Once remittances from the Bond Property Tax Levy are deposited with the Trustee as required by the Indenture, such funds are subject to the Bondholders' security interest and may be used by the Trustee solely for the purposes authorized by the Indenture, including payment of principal of and interest on the Bonds. See "INVESTMENT CONSIDERATIONS—Bankruptcy" and "—Uncertain Enforcement Remedies."

There is no guarantee that the flow of revenues from the Bond Property Tax Levy will always be maintained as described above. The City Council could alter the Bond Property Tax Levy or the City could use remittances from the Bond Property Tax Levy or other funds held in the Bond, Note Redemption and Interest Fund for other uses besides debt service on the Bonds as authorized by the Bond Ordinance or as may be authorized in the future. The Illinois General Assembly could alter the procedure by which property taxes are extended and collected. However, because the Bonds are a general obligation of the City to which it has pledged its full faith and credit, if revenues from the Bond Property Tax Levy were insufficient to pay debt service on the Bonds, the City would still be obligated to find other sources of funds to remit to the Trustee for the payment of principal of and interest on the Bonds when due.

For additional information on real property assessment, tax levies and collections, see APPENDIX D—"PROPERTY TAXES."

Additional General Obligation Debt

The City has issued, and may from time to time issue, debt and incur other obligations that are general obligations of the City, including commercial paper and borrowings under revolving lines of credit which comprise the City's short-term borrowing facilities (the "*Short-Term Borrowing Program*"), all of which are secured by the full faith and credit of the City. The City currently does not plan to issue any additional general obligation bonds prior to 2019.

For the last several years, in order to limit the annual property tax levy for debt service on its outstanding general obligation bonds, the City has annually issued general obligation debt to pay a portion of the near-term debt service on such bonds. The City currently plans to end this practice after the issuance of the Bonds. See also "GENERAL OBLIGATION DEBT—Long-Term General Obligation Bonds."

PLAN OF FINANCING

The proceeds of the Series 2017A Bonds will be used to (i) pay a portion of the costs of the 2017 Projects; (ii) refund or pay interest on all or a portion of certain outstanding general obligation bonds of the City; (iii) fund certain capitalized interest on the Series 2017A Bonds; and (iv) pay costs of issuance of the Series 2017A Bonds. The proceeds of the Series 2017B Bonds will be used to (i) pay a portion of the costs of the 2017 Projects; (ii) pay certain judgments and settlements; and (iii) pay costs of issuance of the Series 2017B Bonds. For additional information, see "SOURCES AND USES OF FUNDS" below.

Financing of the 2017 Projects

The Bond Ordinance authorizes the City to use the Bond proceeds to finance one or more of the following (collectively, the "*Authorized Uses*"): (i) public right-of-way infrastructure improvements in City neighborhoods, including street and alley construction and improvements, lighting improvements, sidewalk improvements and replacement, and curb and gutter repairs and replacement; (ii) infrastructure improvements to enhance the development of economic activity, including industrial street construction and improvements, streetscaping, median landscaping, demolition of hazardous, vacant or dilapidated buildings that pose a threat to public safety and welfare, shoreline reconstruction, riverbank stabilization, residential and commercial infrastructure redevelopment and railroad viaduct clearance improvements; (iii) transportation improvements to City property and facilities and to property and facilities located within the City limits which are owned by other governmental entities, including street resurfacing, bridge and freight tunnel rehabilitation, traffic signal modernization, new traffic signal installation, intersection safety improvements and transit facility improvements; (iv) grants to assist not-for-profit organizations or educational or cultural institutions, or to assist other municipal corporations, units of local government, school districts, the State of Illinois or the United States of America; (v) the acquisition of personal property, including, but not limited to, computer hardware and software, vehicles or other capital items useful or necessary for City purposes; (vi) constructing, equipping, altering and repairing various municipal facilities including fire stations, police stations, libraries, senior and health centers and other municipal facilities; and (vii) the funding of (A) judgments entered against the City, (B) certain settlements or other payments required to be made by the City as a condition to the resolution of litigation or threatened litigation or arbitration and (C) such escrow accounts or other reserves as shall be deemed necessary for any of said purposes. Projects described in categories (i) through (vi) above are collectively referred to as the "*2017 Projects*". See "GENERAL OBLIGATION DEBT—Long-Term General Obligation Bonds."

One or more components of the 2017 Projects described above may later be changed by the City to include financing of other Authorized Uses.

Refunding and Restructuring

A portion of the proceeds of the Series 2017A Bonds will be used to refund all or a portion of the principal of and interest on certain maturities of outstanding general obligation bonds of the City (the "*Refunded Bonds*"), and to pay interest on certain maturities of outstanding general obligation bonds of the City (the "*Interest Paid Bonds*") on certain respective payment dates. See "SOURCES AND USES OF FUNDS." The Refunded Bonds and Interest Paid Bonds are set forth in APPENDIX F–"REFUNDED AND INTEREST PAID BONDS."

A portion of the proceeds of the Series 2017A Bonds, along with $77,545,341 of City funds (not constituting proceeds of any bonds), are being used to restructure general obligation debt service to lower the annual property tax levy necessary to service debt. This will reduce general obligation debt service in levy years 2016, 2017, and 2018, and will extend the average maturity of the City's general obligation debt. A portion of the proceeds is also being used to refund certain bonds for debt service savings. See "GENERAL OBLIGATION DEBT—Long-Term General Obligation Bonds—Debt Service Schedule."

To provide for the payment and retirement of the Refunded Bonds and the payment of interest on the Interest Paid Bonds, certain proceeds of the Series 2017A Bonds will be used to purchase "defeasance obligations" as defined in the ordinances authorizing each series of Refunded Bonds (collectively, the "*Refunded Bonds Defeasance* Obligations"). The principal of and interest on the Refunded Bonds Defeasance Obligations, together with available cash deposits, will be sufficient (i) to pay when due the interest on the Refunded Bonds to their respective maturity or redemption dates, (ii) to pay or redeem the Refunded Bonds on their respective maturity or redemption dates at their respective principal amounts or redemption prices; and (iii) to pay the interest on the Interest Paid Bonds on the applicable interest payment dates.

The Refunded Bonds Defeasance Obligations purchased with certain proceeds of the Series 2017A Bonds, together with available cash deposits, will be held in escrow accounts with the respective paying agents for the Refunded Bonds and the Interest Paid Bonds or an escrow agent (collectively, the "*Escrow Accounts*"). Neither the cash on deposit, the maturing principal of the Refunded Bonds Defeasance Obligations nor the interest to be earned thereon will serve as security or be available for the payment of the principal of or the interest on the Bonds.

The mathematical computation of (i) the adequacy of maturing principal of and interest earnings on the Refunded Bonds Defeasance Obligations together with initial cash deposits in the Escrow Accounts to provide for payments on the Refunded Bonds and the Interest Paid Bonds as described above and (ii) the actuarial yields on the Bonds and the Refunded Bonds Defeasance Obligations will be verified at the time of the delivery of the Bonds by Robert Thomas, CPA, LLC, Shawnee Mission, Kansas, independent certified public accountants. See "CERTAIN VERIFICATIONS."

SOURCES AND USES OF FUNDS

The following table sets forth the sources and uses of funds from the sale of the Bonds as described under "PLAN OF FINANCING."

	Series 2017A Bonds	Series 2017B Bonds	Issuer Funds	Total
SOURCES OF FUNDS:				
Principal Amount of the Bonds	$886,000,000	$274,260,000		$1,160,260,000
Net Original Issue Discount	(21,756,221)			(21,756,221)
Issuer Funds			$77,545,341	77,545,341
Total Sources of Funds	$864,243,779	$274,260,000	$77,545,341	$1,216,049,120
USES OF FUNDS:				
Costs of 2017 Projects	$318,273,769	$ 47,067,444		$ 365,341,214
Deposits to Escrow Accounts	461,687,698		$77,545,341	539,233,040
Capitalized Interest	77,206,210			77,206,210
Judgments and Settlements		225,000,000		225,000,000
Costs of Issuance (including the underwriters' discount)	7,076,101	2,192,556		9,268,657
Total Uses of Funds	$864,243,779	$274,260,000	$77,545,341	$1,216,049,120

Note: Totals may not add due to rounding.

FINANCIAL DISCUSSION AND ANALYSIS

Annual Budget

Budget Process

Each year, the City prepares an annual budget that accounts for revenue from taxes and other sources and sets forth a plan for how the City intends to utilize those resources over the course of the following year. In accordance with the Illinois Municipal Code, the City produces a balanced budget, meaning that its appropriated expenditures do not exceed the amount of resources it estimates will be available for that year.

The budget process begins each summer, when City departments inform the Office of Budget and Management ("*OBM*") of their personnel and non-personnel needs for the upcoming year. Departments begin the budget process using a zero-based spending plan that encourages strategic and creative thinking to provide top quality services while cutting extraneous costs. OBM then prepares a preliminary budget based on the requests submitted by the departments and the resources OBM expects will be available to fund those needs.

Throughout the remainder of the summer, OBM continues the process of reviewing each department's operating and programmatic needs and developing detailed departmental budgets. OBM also estimates Citywide expenses such as pension contributions, employee health care and debt service, and prepares estimates on the amount of revenue that the City will collect in the following year.

In the fall, the Mayor's Office and OBM work with departments to develop a final budget for the entire City government. OBM then compiles and balances the Mayor's proposed budget, which is introduced to the City Council on or before October 15 of each year. Once announced, the proposed budget is available to the public. The City Council holds committee and public hearings on the Mayor's proposed budget and may propose amendments to it. Once the proposed budget, as amended, is adopted by the City Council, and approved by the Mayor, it becomes the Annual Appropriation Ordinance. The Annual Appropriation Ordinance is implemented on January 1 of the following year and represents the City's operating budget for that year.

Budget Documents

The documents prepared as part of the City's budget process are set forth below. *Such documents are not prepared for investors in securities issued by the City, or intended to be a basis for making investment decisions with respect to any bonds, notes, or other debt obligations of the City, including the Bonds. Prospective purchasers of the Bonds are cautioned not to rely on any of the information in the budget documents in connection with the offering of the Bonds.*

Annual Budget Documents

Document	Purpose
Annual Financial Analysis	Provides a review of the City's revenues and expenditures for the past 10 years, a forecast of the City's finances for the next three years and analysis of the City's reserves, pension contributions, debt obligations and capital improvement program.
Budget Overview	Provides a summary of the proposed budget and detailed information on the City's anticipated revenues, expenditures, and personnel.
Budget Recommendations	Constitutes the Mayor's proposed budget to the City Council in accordance with Illinois state law.
Consolidated Plan & Action Plan	The five-year plan setting forth priorities for the City's housing and non-housing community needs based on housing and community development assessments.
Annual Appropriation Ordinance	The City's line-item budget as passed by the City Council.
Capital Improvement Program	A comprehensive list of capital improvements scheduled to occur in the City over the next five years.

Budget Calendar

The general budget calendar of the City is presented in the following table.

Annual Budget Calendar

Month	Action
June	Departments submit preliminary revenue and expense estimates to OBM.
August/September	OBM receives detailed budget requests from City departments and holds a series of meetings with each department regarding the department's needs for the coming year. OBM works with the Mayor's Office to match expenses with available resources and balance the next year's budget.
October	On or before October 15, the Mayor submits a proposed budget to the City Council, and the City Council conducts hearings on the budget, including at least one public hearing, to gather comments on the proposed budget.
November/December	Additions or changes to the proposed budget are considered. The City Council must approve a balanced budget by December 31, at which point the Budget Recommendations become the Annual Appropriation Ordinance. The Final Action Plan and Final Consolidated Plan are submitted annually to the U.S. Department of Housing and Urban Development for funding consideration.
January	The City's Annual Appropriation Ordinance goes into effect.
Throughout The Year	Throughout the year, OBM manages the resources allocated through the Annual Appropriation Ordinance. OBM regularly reviews revenues, expenditures, and any trends or events that may affect City finances. On an ongoing basis, City departments provide information about the performance of City programs to ensure that City resources are used in a manner that maximizes taxpayer value and provides the highest quality services.

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City Fund Structure

The City organizes its activities by funds, each of which is accounted for separately. Each fund has a specific set of revenue sources, which are utilized to support a specific set of City services and functions. Descriptions of the City's major governmental funds and its special revenue and proprietary funds are set forth below.

City Funds

Fund	Purpose
General Fund	The General Fund is the City's general operating fund and supports essential City services and activities, such as police and fire protection, trash collection, and public health programs. The General Fund also supports a portion of the City's share of pension contributions for its employees. General Fund revenues come primarily from a variety of local and intergovernmental taxes, fees, and fines. See "—General Fund" below.
Federal, State and Local Grants Fund	Grant funding, largely from the state and federal governments, makes up a significant and recurring source of revenue for the City and is utilized to provide a range of City services and certain capital improvements.
Special Taxing Areas Fund	The Special Taxing Areas Fund accounts for expenditures for special area operations and maintenance and for redevelopment project costs as provided by tax levies on special areas, including tax increment financing districts.
Service Concession & Reserve Fund	Established in connection with the long-term lease/concession of City assets to create reserves for unexpected contingencies, emergencies, or revenue shortfalls. These reserves are not included in the City's annual operating budget. See "—Service Concession and Reserve Fund" below.
Bond, Note Redemption and Interest Fund	Accounts for the expenditures for principal and interest as provided by property tax, utility tax, sales tax, transportation tax, and investment income.
Community Development and Improvement Projects Fund	The Community Development and Improvement Projects Fund accounts for proceeds of debt used to acquire property, finance construction, and finance authorized expenditures and supporting services for various activities. See "—Capital Improvements" below.
Special Revenue Funds	The City's special revenue funds (the "*Special Revenue Funds*") are used to account for revenue from specific sources that by law are designated to finance particular functions, such as road repair, snow removal, the library system, emergency management and special events and tourism promotion.
Proprietary Funds	The City's proprietary funds (the "*Enterprise Funds*") include the water fund, the sewer fund, the garbage collection fund, and a separate fund for each of the City's major airports. These funds are self-supporting, in that each fund derives its revenue from charges and associated user fees.

The revenue sources of the Federal, State and Local Grants Fund, the Community Development and Improvement Projects Fund and the Enterprise Funds are restricted as to use by law and those of the Special Revenue Funds are largely dedicated to specific services and functions. The revenues from these funds are not otherwise available to pay for general Citywide expenses, including debt service on the City's general obligation bonds (including the Bonds) and the City's pension costs exceeding amounts properly allocable to the funds.

General Fund

The City has historically presented information on the City's Corporate Fund in connection with its general obligation bond issues. The Corporate Fund comprises approximately 99.0 percent of the City's General Fund, which is the City's primary operating fund and accounts for all of the City's sources and uses of general operating revenue. The General Fund, and not the Corporate Fund, is included in the City's basic financial statements. The City is presenting information in this Official Statement about the General Fund in order to facilitate the reader's review of the City's basic financial statements. See APPENDIX C—"CITY OF CHICAGO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015."

The General Fund does not account for the portion of the City's pension obligations that are paid from the City's property tax levy or the Enterprise Funds, nor does it account for the principal and interest payments on the City's long-term general obligation bonds that are paid from the property tax levy. For information regarding the use of the City's property taxes for the payment of pension costs and general obligation bond debt service, see "—Property Taxes—*Use of City Property Tax Levy*," below.

Selected Financial Information

The following table sets forth revenues and other financing sources (collectively, "resources") and expenditures and other financing uses (collectively, "expenditures") for the General Fund on a historical basis for the years 2011 to 2015. The financial information is based on the modified accrual basis of accounting for the General Fund as reported in the City's audited basic financial statements for the years 2011 to 2015, respectively. This table should be read in conjunction with the financial information set forth in APPENDIX C—"CITY OF CHICAGO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015."

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GENERAL FUND[1]
For Fiscal Years Ended 2011-2015
($ in thousands)

	2011	2012	2013	2014	2015
Revenues:					
Utility Tax	$ 467,630	$ 462,475	$ 456,869	$ 473,496	$ 437,780
Sales Tax	536,281	572,185	583,681	620,299	665,793
State Income Tax	236,521	282,779	308,899	278,031	336,959
Other Taxes[2]	618,384	694,383	749,742	803,961	935,658
Federal/State Grants	1,294	1,074	1,871	2,335	1,845
Other Revenues[3]	921,056	907,760	929,429	998,028	1,088,600
Total Revenues	2,781,166	2,920,656	3,030,491	3,176,150	3,466,635
Expenditures:					
Current:					
Public Safety	1,895,404	1,956,152	1,953,572	2,020,072	2,061,540
General Government	863,622	864,556	885,268	929,918	1,064,470
Other[4]	278,561	258,501	267,852	270,899	298,817
Debt Service[5]	2,849	2,160	2,382	10,369	8,275
Total Expenditures	3,040,436	3,081,369	3,109,074	3,231,258	3,433,102
Revenues (Under) Over Expenditures	(259,270)	(160,713)	(78,583)	(55,108)	33,533
Other Financing Sources (Uses):					
Proceeds of Debt and Line of Credit, Net of Original Discount/Including Premium	95,000	55,000	–	–	19,300
Transfers In	372,744	31,617	21,018	39,700	34,551
Transfers Out	(14,357)	(26,965)	(10,583)	(10,081)	(12,760)
Total Other Financing Sources (Uses)	453,387	59,652	10,435	29,619	41,091
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	194,117	(101,061)	(68,148)	(25,489)	74,624
Fund Balance – Beginning of Year	135,541	335,533	231,302	167,057	141,278
Change in Inventory	5,875	(3,170)	3,903	(290)	(670)
Fund Balance – End of Year	$ 335,533	$ 231,302	$ 167,057	$ 141,278	$ 215,232

Source: City of Chicago Comprehensive Annual Financial Report (the "*City CAFR*"), Exhibit 4 for the respective years. The City CAFR is available upon request from the Department of Finance.

(1) The General Fund is the chief operating fund of the City. It is comprised of the Corporate Fund as well as other non-major operating funds where the fund balance is not restricted or committed as defined by the Governmental Accounting Standards Board (GASB).

(2) Includes Transaction, Transportation, Recreation, and Business Taxes, as well as the City's share of the State Auto Rental Tax.

(3) Includes Internal Service, Licenses and Permits, Fines, Investment Income, Charges for Services, and Miscellaneous Revenues.

(4) Includes Health, Streets and Sanitation, Transportation, Cultural and Recreational and Other Current Expenditures.

(5) Represents debt service on general obligation bonds that are not payable from a levy of property taxes. See "GENERAL OBLIGATION DEBT—Long-Term General Obligation Bonds."

General Fund Revenue

The General Fund's revenue sources consist of utility taxes, sales taxes, State income taxes, other taxes, federal and State grants, and other revenues. With the exception of federal and State grants, which are less than 1 percent of overall General Fund revenues, the various sources of General Fund revenues are described below.

The sources of General Fund resources have remained consistent over the past 5 years. In 2011, 67 percent of General Fund resources came from tax revenues, 33 percent from other revenues, and less than 1 percent from other financing sources. In 2015, 69 percent of General Fund resources came from tax revenues, 31 percent from other revenues, and less than 1 percent from other financing sources. In the period from 2009 through 2011, an average of $487 million each year, or 15 percent of General Fund resources, came from non-recurring revenue sources including transfers in from the Service Concession and Reserve Fund. Beginning with the 2012 budget, the City phased out the use of reserves to subsidize the operating budget. See "—Fund Stabilization—*Asset Lease and Concession Reserves*" below.

Utility Taxes. Utility taxes consist of taxes on the purchase of telecommunications services, electricity, natural gas, and cable television. The following table sets forth the sources of utility tax revenue for the years 2011 through 2015:

UTILITY TAX REVENUE 2011-2015
($ in thousands)

	2011	2012	2013	2014	2015
Gas	$113,681	$ 98,791	$122,139	$153,274	$119,705
Electric	98,100	98,015	98,557	96,353	95,215
Commonwealth Edison	90,655	90,814	90,602	90,202	87,578
Telecommunications	140,998	149,336	119,348	106,129	105,514
Infrastructure Maintenance	65	7	–	–	–
Fiber Optics	–	–	23	–	–
Cable Television	24,131	25,512	26,200	27,538	29,768
Total Utility Tax	$467,630	$462,475	$456,869	$473,496	$437,780

Source: City CAFR, Schedule A-1 for the respective years.

These combined taxes have been 15.1 percent, on average, of total General Fund resources between 2011 and 2015. In 2011, utility taxes were $467.6 million, decreasing to $437.8 million in 2015. The reasons for fluctuations within the major categories of utility taxes are discussed below. Infrastructure maintenance, fiber optics and cable television are excluded from the discussion because the amounts are immaterial.

<u>Gas Tax</u>. The City imposes two natural gas-related taxes. The natural gas occupation tax is an 8.0 percent tax imposed on gross receipts for gas and delivery charges. The natural gas use tax is imposed at a rate of 6.3 cents per therm on entities not subject to the natural gas occupation tax. Natural gas tax collections are highly dependent upon weather conditions and price. Colder weather increases consumption and associated tax revenues, as natural gas is used to heat homes and buildings. Because the natural gas occupation tax is a percentage of gross revenues as opposed to a per-unit rate, these revenues are more directly impacted by price than electricity taxes, which are imposed entirely on a per-unit basis. Natural gas-related taxes generated (i) in 2011, $113.7 million, accounting for 4.1 percent of total General Fund resources for such year; and (ii) in 2015, $119.7 million, accounting for 3.5 percent of total General Fund resources for such year.

Electric and Commonwealth Edison Taxes. The City's electricity taxes (shown in the table above under Electric and Commonwealth Edison) are charged based on the number of kilowatt hours of electricity used. Revenues from electricity taxes are dependent upon consumption and also weather conditions, particularly summer temperatures due to the electricity needed to cool homes and buildings. Electricity rates, conservation efforts, and technological changes that contribute to energy efficiency also affect the amount of electricity used and thus revenue from these taxes. Electricity tax revenues have been 6.1 percent, on average, of total General Fund resources from 2011 to 2015, averaging $187.2 million each year, and have held relatively constant.

Telecommunications Tax. Revenue from telecommunications taxes, which are levied by the City on charges for telephone services in the City, has declined over the past decade, reflecting trends in the industry and consumer preferences. In 2011, telecommunications tax revenue was $141.0 million and made up 5.1 percent of General Fund resources. By 2015, telecommunications tax revenue had dropped to $105.5 million, accounting for 3.0 percent of total General Fund resources. The overall decline in revenues was due in part to the continuing reduction in the use of landlines as more customers rely solely on wireless services, and also a decline in the number of wireless accounts as use of online communication services has increased. In addition, federal law exempts most wireless data services, such as mobile broadband, from taxation. Consequently, growth in the market for such wireless services has not resulted in increased telecommunications tax revenues for the City.

Sales Taxes. The following table sets forth sources of sales tax revenue for the years 2011 through 2015:

SALES TAXES 2011-2015
($ in thousands)

	2011	2012	2013	2014	2015
Local Sales Taxes	$252,530	$272,312	$267,576	$285,773	$308,878
State Sales Taxes	283,751	299,873	316,105	334,526	356,915
Total Sales Tax	$536,281	$572,185	$583,681	$620,299	$665,793

Source: City CAFR, Schedule A-1 for the respective years.

Local Sales Taxes. Local sales tax revenues, as set forth in the table above, consist of four separate taxes imposed by the City pursuant to its home rule powers, the Municipal Code and State law (collectively, the "*Local Sales Taxes*"):

HOME RULE MUNICIPAL RETAILERS' OCCUPATION TAX. The Home Rule Municipal Retailers' Occupation Tax is a 1.25 percent tax imposed on the sale of most items of nontitled tangible personal property by retailers in the City. This tax is authorized by the Home Rule Municipal Retailers' Occupation Tax Act of the State. The tax must be imposed in increments of 0.25 percent, and can only be imposed if the City also imposes a municipal service occupation tax.

HOME RULE MUNICIPAL SERVICE OCCUPATION TAX. The Home Rule Municipal Service Occupation Tax is a 1.25 percent tax imposed on the selling price of most items of tangible personal property acquired as an incident to the purchase of a service from service providers in the City. This tax is authorized by the Home Rule Municipal Service Occupation Tax Act of the State and must be imposed at the same rate as the Home Rule Municipal Retailers Occupation Tax described above.

HOME RULE MUNICIPAL USE TAX ON TITLED PERSONAL PROPERTY. The Home Rule Municipal Use Tax on Titled Personal Property is a 1.25 percent tax imposed on the privilege of using within the City titled personal property that is purchased from a retailer and that is titled or registered at a location in the City. This tax is authorized by the Home Rule Municipal Use Tax Act of the State.

HOME RULE MUNICIPAL USE TAX ON NONTITLED PERSONAL PROPERTY. The Home Rule Municipal Use Tax on Nontitled Personal Property is a 1.0 percent tax imposed on the privilege of using within the City most items of nontitled personal property that are purchased from a retailer located outside the City. This tax is authorized by the Home Rule Municipal Use Tax Act of the State. The tax must be imposed in increments of 0.25 percent up to the maximum rate of 1.0 percent.

Currently there is no legal limit on the rate at which the City may impose the Home Rule Municipal Retailers' Occupation Tax, the Home Rule Municipal Service Occupation Tax or the Home Rule Municipal Use Tax on Titled Personal Property. Except for the Home Rule Municipal Use Tax on Nontitled Personal Property, the Local Sales Taxes are collected by the State on behalf of the City.

For purchases subject to the Home Rule Municipal Retailer's Occupation Tax and the Home Rule Municipal Use Tax on Titled Personal Property, most are subject to a combined tax rate that includes, in addition to the Local Sales Taxes and the State rate of 6.25 percent, a Regional Transportation Authority sales tax rate of 1.0 percent and a Cook County sales tax rate of 1.75 percent.

Revenue from the Local Sales Taxes that has been allocated to the General Fund after provision for sales tax revenue bond debt service has accounted for an average of approximately 9 percent of total General Fund resources between 2011 and 2015. Beginning in the fall of 2008, receipts from Local Sales Taxes began to decline due to the recession. Moderate growth occurred from 2010 until 2012, with a modest decline in 2013, due to a larger portion of Local Sales Taxes allocated to sales tax revenue bond debt service payments. Local Sales Taxes allocated to the General Fund were $308.9 million in 2015, accounting for 8.9 percent of General Fund resources.

State Sales Taxes. The City's share of State sales tax revenues, as set forth in the table above, consist of four separate taxes imposed by the State as follows (collectively, the "*State Sales Taxes*"):

ILLINOIS RETAILERS' OCCUPATION TAX. The Illinois Retailers' Occupation Tax is imposed by the State at the rate of 6.25 percent on the sale of most items of nontitled tangible personal property by retailers. The City receives 1 percent on the sale of such items by retailers in the City, representing 16 percent of the net receipts of this tax attributable to sales occurring in the City. With respect to tax on grocery food, drugs and medical appliances, the City receives 1 percent of the net receipts on the sale of grocery food, drugs and medical appliances, representing 100 percent of the net receipts of this tax attributable to sales occurring in the City.

ILLINOIS SERVICE OCCUPATION TAX. The Illinois Service Occupation Tax is imposed by the State at the rate of 6.25 percent on the sale of most items of nontitled tangible personal property by service providers. The City receives 1 percent on the sale of such items by service providers in the City, representing 16 percent of the net receipts of this tax attributable to sales occurring in the City. With respect to tax on grocery food, drugs and medical appliances, the City receives 1 percent of the net receipts on the sale of grocery food, drugs and medical appliances, representing 44.44 percent of the net receipts of this tax attributable to sales occurring in the City.

ILLINOIS USE TAX. The Illinois Use Tax is imposed by the State at the rate of 6.25 percent on the privilege of using most items of personal property purchased outside of the State. The City receives 4 percent of the net receipts of this tax collected on most items of nontitled personal property purchased outside of the State, subject to annual appropriation by the Illinois General Assembly. Subject to annual appropriation by the Illinois General Assembly, the City receives 20 percent of the net receipts of this tax imposed at the rate of 1 percent on grocery food, drugs and medical appliances purchased outside of the State. See "INVESTMENT CONSIDERATIONS–Reductions and Delays in Receipt of State Revenues."

ILLINOIS SERVICE USE TAX. The City currently receives 4 percent of the net receipts of the Illinois Service Use Tax which is imposed by the State at the rate of 6.25 percent on the privilege of using most items of tangible personal property acquired as an incident to the purchase of a service from a service provider in the State, subject to annual appropriation by the Illinois General Assembly. The City also receives 20 percent of the net receipts of this tax imposed at the rate of one percent on grocery food, drugs and medical appliances acquired as an incident to the purchase of a service from a service provider in the State, subject to annual appropriation by the Illinois General Assembly. See "INVESTMENT CONSIDERATIONS—Reductions and Delays in Receipt of State Revenues."

Except as noted above, the City currently receives its share of State Sales Tax revenues without annual appropriation by the Illinois General Assembly. Any change in the tax rates or amount of net tax receipts allocated to the City from State Sales Tax revenues would require the enactment of legislation by the Illinois General Assembly.

Revenue from the State Sales Taxes has accounted for an average of approximately 10.3 percent of total General Fund resources between 2011 and 2015. Following the recession in 2008, revenues had declined to $266.6 million in 2010. Steady growth has continued since 2010, with State Sales Tax revenues increasing to $356.9 million in 2015, accounting for 10.3 percent of total General Fund resources.

State Income Tax. State income tax revenues consist of the City's share of the State income taxes, including personal property replacement taxes. The following table sets forth sources of State income tax revenue received by the General Fund for the years 2011 through 2015:

STATE INCOME TAX 2011-2015
($ in thousands)

	2011	2012	2013	2014	2015
Income Taxes	$200,341	$245,193	$275,979	$250,279	$286,473
Personal Property Replacement Taxes	36,180	37,586	32,920	27,752	50,486
Total State Income Tax	$236,521	$282,779	$308,899	$278,031	$336,959

Source: City CAFR, Schedule A-1 for the respective years.

Income Tax. Income tax revenues are impacted by a combination of factors, including employment rates, population, federal rules, and the timing of state distributions.

In 2011, the State increased the personal income tax rate from 3.0 percent to 5.0 percent and the corporate income tax rate from 4.8 percent to 7.0 percent. However, municipalities did not receive a share of this increase because the State, concurrently with increasing tax rates, reduced the percentage of total income tax receipts that flow in the Local Government Distributive Fund ("*LGDF*"), the fund from which municipalities are paid their share of state income tax revenue. Distributions to the LGDF were decreased from 10 percent of both personal and corporate income tax revenue to 6.0 percent of personal income tax receipts and 6.86 percent of corporate income tax receipts.

In 2015, the income tax rate increase expired, and thus the individual income tax rate decreased from 5.0 percent to 3.75 percent and the corporate income tax rate decreased from 7.0 percent to 5.25 percent. In connection with the expiration of the income tax increase, distributions to the LGDF were increased from 6.0 percent to 8.0 for individual income tax receipts and from 6.86 percent to 9.14 percent for corporate income tax receipts.

Personal Property Replacement Tax. The personal property replacement tax ("*PPRT*") derives its revenues primarily from an additional State income tax levied by the State on corporations, partnerships, trusts and S corporations. Currently, corporations pay a 2.5 percent tax on income, while partnerships, trusts, and S corporations pay a 1.5 percent tax on income. The PPRT also derives some of its revenues from various taxes imposed on utilities at various rates. The tax is collected by the State and paid to local governments in order to replace revenues that were lost when the State eliminated the authority of local governments to collect personal property taxes on business entities.

The City historically utilized its PPRT revenue in part to support the General Fund and in part to pay for the City's share of pension contributions. In 2015, the City changed the way it accounts for the non-property tax portion of its pension contributions. Historically, the City's pension contributions not paid from property taxes have been paid from PPRT revenues, which were recorded directly into the respective Retirement Funds (as hereafter defined) and did not flow through the General Fund. See "RETIREMENT FUNDS—Payment for Pension Benefits—*Determination of City's Contributions*." Going forward, the total receipt of PPRT revenues will be deposited into the General Fund, and a portion of the City's share of pension contributions will be paid out of the General Fund to the Retirement Funds. This change has the effect of increasing General Fund revenues by the amount of the PPRT revenues deposited into the General Fund, and increasing General Fund expenditures by a like amount.

Other Taxes. Other tax revenues consist of various taxes imposed by the City, such as transportation taxes, transaction taxes, recreation taxes, business taxes as well as the City's share of the State auto rental tax. The following table sets forth sources of other tax revenue for the years 2011 through 2015.

OTHER TAXES 2011-2015
($ in thousands)

	2011	2012	2013	2014	2015
Transportation Tax					
Parking	$ 93,449	$119,169	$124,384	$126,516	$131,489
Vehicle Fuel	49,367	49,818	49,089	48,161	49,332
Ground Transportation	9,111	8,903	9,070	10,399	17,056
Transaction Tax					
Real Property	85,986	102,571	141,907	157,194	191,148
Personal Property Lease	123,523	132,503	140,227	152,576	192,504
Motor Vehicle Lessor	5,753	6,037	6,249	6,431	6,656
Recreation Tax					
Amusement	86,055	87,843	96,739	112,895	145,675
Automatic Amusement	913	869	631	584	544
Liquor	31,584	32,620	32,048	32,113	33,651
Boat Mooring	1,439	1,361	1,275	1,309	1,386
Cigarette	18,666	18,015	16,268	24,022	22,832
Off Track Betting	837	694	604	547	512
Soft Drink	19,934	21,792	21,564	22,210	22,910
Business Tax					
Hotel	60,082	85,634	89,851	100,407	109,784
Employers Expense	23,496	17,853	11,261		
Foreign Fire Insurance	4,598	4,791	4,601	4,422	5,983
State Auto Rental Tax	3,591	3,910	3,974	4,175	4,196
Total Other Taxes	$618,384	$694,383	$749,742	$803,961	$935,658

Source: City CAFR, Schedule A-1 for the respective years.

With the exception of State auto rental taxes, which are immaterial, the various sources of other taxes are described below.

Transportation Taxes. Transportation tax revenues include taxes on vehicle fuel, garage parking and hired ground transportation. Parking taxes, which are imposed on parking garage operators, have consistently made up the largest portion of this category of revenues. Rate adjustments that took effect in 2012 and 2015 contributed to greater revenue growth, with an overall increase from $93.4 million in 2011 to $131.5 million in 2015. Pursuant to a change in State law, the City changed this tax from a tiered flat rate structure to a percentage-based rate effective July 1, 2013, reducing the effective tax rate for low-cost parking while increasing the effective rate for high-cost parking.

The vehicle fuel tax is a 5 cent per gallon tax on the sale of vehicle fuel to a retailer doing business in the City, or who purchases fuel for use in the City. In 2011 through 2015, the vehicle fuel tax has generated an average $49.2 million, accounting for an average 1.6 percent of total General Fund resources.

In recent years the City has included a number of revisions to the ground transportation tax. In 2015 a $5.00 per trip surcharge on all transportation network provider ("*TNP*") vehicles for airport, Navy Pier, and McCormick Place pick-up and drop-off went into effect. Prior to November 2015, TNP companies were not authorized to pick up at Chicago airports, though they were authorized to pick up at Navy Pier and McCormick Place with no surcharge. There was no surcharge associated with drop-offs at any of these locations. The $5.00 per trip surcharge went into effect in November 2015. As a result of expanded service areas and increases in usage and rates, ground transportation revenues have increased 87 percent from 2011, at $9.1 million, to 2015, at $17.0 million.

Transaction Taxes. Transaction taxes include taxes on the transfer of real estate, the lease or rental of personal property, and the short-term lease of motor vehicles within the City. Combined transaction taxes have constituted an average 9.4 percent of total General Fund resources between 2011 and 2015. Fluctuations in these revenue sources track closely with the economy and the real estate market.

In the years leading up to the recession, real property transfer tax collections reached record levels. The decline in the real estate market reduced these collections to $61.9 million in 2009. While commercial real estate activity started to increase in 2010 and continued to improve in 2011, the residential real estate market was slower to recover and did not show sustained growth until 2012. By 2013, home sales increased by 19 percent and median home prices increased by 10 percent from 2012, bringing overall real property transfer tax revenues to $141.9 million. During 2014, median home prices increased by 11 percent over 2013 while home sales decreased by 7 percent due largely to inventory shortages. Due to the increase in median home prices, 2014 revenues increased to $157.2 million. The recovering housing market, in combination with continued strong commercial real estate activity, drove real property tax revenues up to $191.1 million, 5.5 percent of total General Fund revenues, in 2015.

As with other transaction and consumer-driven tax revenues, collections of personal property lease transaction tax suffered due to the recession's impact on personal and business consumption, but in recent years revenues started increasing with consumer confidence and continued economic recovery. Lease tax revenues reached $192.5 million in 2015 following an increase in the rate from 8.0 percent to 9.0 percent.

Recreation Taxes. Recreation taxes include taxes on amusement activities and devices, liquor, the mooring of boats, cigarettes, off-track betting and non-alcoholic beverages. Recreation taxes accounted for approximately 6.6 percent of General Fund revenues in 2015.

Amusement taxes apply to most large sporting events, theater, and musical performances in the City. Amusement tax revenues vary significantly from year to year due to a variety of factors including consumer sentiment, tourism, and the cost of attending live performances and sporting events. Some revenue increases can also be attributed to rate changes and phase-outs of special exemptions. The overall increase in these revenues over the last ten years was due in part to the 1.0 percent increase in 2005 and again in 2009 along with the phase-out of the partial exemption from this tax that cable television companies had received in prior years. Additionally, 2015 was the first year that special seating areas such as skyboxes were taxed at the full rate. 2015 revenues are higher than previous years due partially to the recent elimination of these exemptions. 2015 revenues also benefited from post-season play of local professional sports teams.

Cigarette tax revenues were $27.5 million in 2005 and $32.9 million in 2006 due largely to increases in the City cigarette tax rate in those years. Cigarette tax revenues then fell steadily each year to $16.3 million in 2013. These declines can be attributed in part to a decline in smoking in the overall population and in part to a cross-border effect. In 2014, the City cigarette tax rate was increased by 50 cents to $1.18 per pack, bringing revenues back up to $24.0 million. Continued declines in smoking and the price sensitivity of purchases, cigarette tax revenues ended 2015 at $22.8 million.

Business Taxes. The City's business taxes consist of taxes on hotel accommodations, the employers' expense tax, and foreign fire insurance tax. Beginning in 2012, overall business tax revenues showed the effect of both the phasing out of the employers' expense tax and the increase in the hotel accommodations tax rate from 3.5 to 4.5 percent.

Revenues from the hotel tax experienced a sharp decline in 2009 and recovered slowly in 2010. The second half of 2011 saw hotel sales and the related tax revenues begin to rebound. In 2012, the City increased the hotel accommodations tax from 3.5 percent to 4.5 percent. Starting in February 2015, the City required website booking facilitators such as Airbnb to collect the hotel accommodations tax on transactions facilitated by their websites.

Other Revenues. Other revenues consist of internal service, licenses and permits, fines, investment income, charges for services, municipal utilities, leases, rentals and sales, and miscellaneous revenues. The following table sets forth the sources of other revenues for the years 2011 through 2015.

OTHER REVENUES 2011-2015
($ in thousands)

	2011	2012	2013	2014	2015
Internal Service	$306,126	$302,924	$306,523	$305,716	$ 345,426
Licenses and Permits	102,702	117,568	123,633	119,940	126,727
Fines	263,288	290,799	313,506	338,329	366,309
Investment Income	3,378	5,439	1,436	1,573	914
Charges for Services	132,587	124,606	119,857	134,593	119,598
Municipal Utilities	9,060	8,415	6,429	7,257	6,511
Leases, Rentals and Sales	22,595	14,747	19,008	24,127	25,489
Miscellaneous	81,320	43,262	39,037	66,493	97,629
Total Other Revenues	$921,056	$907,760	$929,429	$998,028	$1,088,600

Source: City CAFR, Schedule A-1 for the respective years.

With the exception of investment income and municipal utilities, which are immaterial sources, the various categories of other revenues, including major revenue types within the categories, are described below.

Internal Service. Internal service revenues are transfers to the General Fund for services provided to other City funds and departments, such as police, fire, and sanitation services provided to the City's Enterprise Funds. Such transfers constitute an average of 10.2 percent of General Fund resources, and have ranged from $306.1 million in 2011 to $345.4 million in 2015.

Licenses and Permits. License and permit-related revenue is generated through fees for business licenses, building permits, and various other licenses and permits. License and permit activity often reflects economic health, with more construction commencing and businesses starting up when the economy is strong.

As the real estate market has rebounded, license and permit activity and related revenues began to recover in 2012, increasing from $117.6 million to $126.7 million in 2015.

Fines. Fines consist of fines, forfeitures, and penalties, including parking tickets, red-light and speed camera tickets, and fines for items such as building code violations. These revenues have increased steadily from $263.3 million in 2011 to $366.3 million in 2015. These revenues accounted for 10.6 percent of total 2015 General Fund resources. This steady increase in revenues is partly a result of the increased use of technology, including the implementation of on-line bill payment systems and additional parking enforcement field technology. Increases in fine and penalty rates and improved debt collection have also impacted overall fine, forfeiture, and penalty revenues.

Charges for Services. Revenues from charges for services are generated by charging for activities such as inspections, public information requests and other services for private benefit. In 2011, these activities generated $132.6 million, decreasing to $119.6 million in 2015. The decline in revenues is due to the loss of certain scheduled reimbursements.

Leases, Rentals, and Sales. Revenues generated by the lease or sale of City-owned land, impounded vehicles, and other personal property account for a small percentage of overall General Fund revenue. In recent years, the City has implemented an online auction system for the sale of unneeded surplus materials and equipment. These revenues vary from year to year based on inventory of City property to be leased or sold and the market for such property, and have ranged from $25.5 million to $14.7 million over the last five years. In 2015, lease and sale income was $25.5 million, slightly above historic averages.

Miscellaneous. Miscellaneous revenues include infrequent or one-time sources of revenues, such as insurance recoveries, settlements, and cash received from fund closeouts, as well as other revenues that do not fall into one of the revenue categories mentioned above, such as municipal marketing fees and tax increment financing ("*TIF*") surpluses. These activities generated $81.3 million in 2011 and $97.6 million in 2015.

General Fund Expenditures

Total General Fund expenditures, including other financing uses, have increased from $3.04 billion in 2011 to $3.43 billion in 2015. Generally, the relative proportion of total General Fund spending devoted to different activities and expense types has remained fairly consistent from year to year. Across all departments and City services, personnel-related expenditures (including salaries and wages and employee healthcare costs) make up the largest portion of the General Fund budget, averaging 84 percent of total General Fund expenditures from 2011 through 2015.

General Fund expenditures consist of current operating expenditures and debt service. Debt service expenditures in the General Fund relate to debt service payments with respect to an issuance by the City in 1997 of certain building acquisition certificates which are not paid from property taxes and are not material. General Fund current expenditures are described below.

Public Safety. Each year, the largest portion of General Fund expenditures is dedicated to public safety functions, and includes departments such as Police, Fire, and the Office of Emergency Management and Communications. This also includes the activities of (i) the Department of Buildings, which ensures the safety of residential and commercial buildings in the City by enforcing design, construction, and maintenance standards and promoting conservation and rehabilitation through permitting and inspection processes, and (ii) the Department of Business Affairs and Consumer Protection, such as business licensing and support and consumer protection activities, including the regulation of the local taxicab industry. Public safety has remained a primary driver of expenditures, averaging 62 percent of General Fund expenditures from 2011 to 2015.

General Government. General government expenditures support functions necessary to provide essential City services, including accounting and finance, contract management, human resources, legal advice, administrative services, vehicle and facilities maintenance, community services, City development, technology and systems expertise. These expenditures have accounted for between 28 and 31 percent of General Fund expenditures, from 2011 through 2015.

Other Current Expenditures. The following table sets forth the other current expenditures of the General Fund by function for the years 2011 through 2015.

OTHER CURRENT EXPENDITURES 2011-2015
($ in thousands)

	2011	2012	2013	2014	2015
Health	$ 32,390	$ 24,371	$ 26,552	$ 25,902	$26,001
Streets and Sanitation	175,829	178,065	186,992	195,390	199,644
Transportation	69,683	53,815	52,420	47,309	67,145
Cultural and Recreational	420	13	–	–	–
Other	239	2,237	1,888	2,298	6,027
Total Other Current Expenditures	$278,561	$258,501	$267,852	$270,899	$298,817

Source: City CAFR, Exhibit 4 for the respective years.

With the exception of Cultural and Recreational and Other expenditures set forth in the table above, which are immaterial in amounts, the categories of Other Current Expenditures are described below.

Health. Health expenditures support the operations of the Department of Public Health, including providing health education to residents, access to care, guiding public health initiatives and monitoring and inspecting food establishments. Department of Public Health expenditures have accounted for, on average, less than 1 percent of General Fund expenditures from 2011 through 2015.

Streets and Sanitation. Streets and sanitation expenditures support the operations of the Department of Streets and Sanitation, including garbage and recycling collection, sweeping and plowing of streets, graffiti removal, cleaning of vacant lots, demolition of garages, towing of illegally parked vehicles, abatement of rodents and planting, trimming and removal of trees. Expenditures related to the Department of Streets and Sanitation have accounted for, on average, 5.9 percent of General Fund expenditures from 2011 through 2015.

Transportation. Transportation expenditures support the operations of the Department of Transportation and have averaged approximately 2 percent of annual General Fund expenditures between 2011 and 2015. These funds are used to build, repair, and maintain streets, sidewalks, and bridges and complete the planning and engineering behind the City's infrastructure. Much of the City's major infrastructure construction is funded through State and federal grants, general obligation bond financing, TIF revenues and other sources, and thus is not represented as a General Fund expenditure.

Budget Gaps

Each year, the City projects revenues and expenses for the coming year as part of its preliminary budget process. The difference between revenues and expenditures anticipated by the City in its preliminary General Fund budget estimates each year is commonly referred to as the "gap." The budget gap is closed each year prior to the passage of the Annual Appropriation Ordinance, in which expenditures are balanced with forecasted available resources.

Set forth below are the preliminary budget gaps for fiscal years 2012 through 2017.

PRELIMINARY BUDGET GAPS 2012-2017
($ in millions)

Year	Amount
2012	$635.7
2013	369.0
2014	338.7
2015	297.3
2016	232.6
2017	137.6

Source: City of Chicago, Office of Budget and Management.

The decreasing size of the gap from 2012 through 2017 is the result of the recovering economy's impact on revenues, as well as the reductions made as part of the past 6 budgets. Initiatives such as the introduction of managed competitions for City services, the transition to grid-based garbage collection, consolidation of information technology systems and software licenses, implementation of energy efficiency programs, sale of excess City-owned land, review and renegotiation of major contractual costs, and reforms that have reduced the City's healthcare costs have all decreased the City's structural deficit, bringing the City's expenses more closely in line with revenues.

In addition to closing the $137.6 million preliminary budget gap, the 2017 budget increases revenues available to pay debt service payments by $63 million and provides an additional $81 million in new investments. Closing the preliminary budget gap, debt reform, and additional investments were achieved in the 2017 Annual Appropriation Ordinance through savings and revenue enhancements in the following general categories: personnel and non-personnel savings and reforms ($33.7 million), improved fiscal management ($86.4 million), improved debt collection ($17 million), growth in economically sensitive and other revenues ($82.3 million), revenue enhancements ($25.4 million), and prior year available resources ($37 million).

General Fund Financial Forecasts

This section includes a discussion of the City's year-end estimates for 2016 and projections for years 2017, 2018, and 2019 for the General Fund. The estimates and projections are based on expectations and assumptions which existed at the time such estimates and projections were prepared, including, among other factors, evaluations of historical revenue and expenditure data, known changes or events, analyses of economic trends and current and anticipated laws and legislation affecting the City's finances. While the City believes that the numerous assumptions underlying the estimates and projections are reasonable, they are subject to certain contingencies and periodic revisions which may involve substantial change. The City makes no representation or warranty that these estimates and projections will be realized. The estimates and projections discussed below and elsewhere herein were not prepared with a view towards compliance with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. The estimates and projections assume that no substantive changes are made to City operations or the cost of City services. No cost-saving initiatives are incorporated into the estimates and projections. The estimates and projections are likely to change as future decisions are made in response to actual events, new or changing needs and Citywide priorities. No assurance can be given that actual results will conform to the estimates and projections provided. This prospective information is not fact and should not be relied upon as being necessarily indicative of future results. Purchasers of the Bonds are cautioned not to place undue reliance on this prospective financial information. See "INVESTMENT CONSIDERATIONS—Forward-Looking Statements."

General Fund 2016 Year-End Estimates. The following table sets forth resources and expenditures for the General Fund based on actual results for the year 2015, the 2016 budget, the year-end estimates for 2016, and the adopted budget for 2017.

GENERAL FUND RESOURCES AND EXPENDITURES
(Budgetary Basis)
($ in millions)

	2015 Actual[1]	2016 Budget[2]	2016 Year-End Estimates[3]	2017 Budget[4]
Tax Revenue				
Utility Taxes and Fees	$ 437.8	$ 441.0	$ 429.7	$ 437.0
Transaction Taxes	390.3	344.7	412.9	394.9
Transportation Taxes	197.9	240.4	238.3	241.4
Recreation Taxes	227.5	218.0	218.0	221.6
Business Taxes	115.8	113.9	113.9	123.9
Sales Taxes	665.7	677.8	677.8	698.8
State Income Taxes	337.0	435.7	402.8	399.6
Other Intergovernmental	6.0	6.2	6.2	6.2
Total Tax Revenue	2,378.0	2,477.7	2,499.5	2,523.5
Non-Tax Revenue				
Licenses and Permits	126.7	124.8	124.9	128.0
Fines, Forfeitures and Penalties	366.3	350.5	348.9	358.8
Charges for Services	119.6	112.6	116.0	114.9
Municipal Parking	6.5	10.1	7.6	21.8
Leases, Rentals, Sales	25.5	36.0	21.9	36.0
Reimbursement, Interest & Other	444.0	432.9	426.9	461.9
Total Non-Tax Revenue	1,088.6	1,067.0	1,046.2	1,121.4
Proceeds and Transfers In	53.9	26.0	43.0	37.0
Total Revenue	3,520.5	3,570.8	3,588.7	3,682.0
Budgeted Prior Years' Surplus and Reappropriations	0.0	0.0	0.0	37.0
Total General Fund Resources	$3,520.5	$3,570.8	$3,588.7	$3,719.0
Total Expenditures	$3,520.5	$3,570.8	$3,588.7	$3,719.0

Note: may not total due to rounding.
(1) Source: Schedule A-1, City CAFR for the year ended December 31, 2015.
(2) Source: 2016 Annual Appropriation.
(3) Source: 2017 Budget Overview, prepared in connection with the adoption of the City's budget for fiscal year 2017 on November 16, 2016. In accordance with generally accepted accounting principles, revenues, and expenditures attributable to the 2016 fiscal year are continuing to be recorded, and will then be subject to an annual audit.
(4) Source: 2017 Annual Appropriation.

General Fund resources on a budgetary basis, which includes Budgeted Prior Years' Surplus and Reappropriations, if applicable, are expected to exceed the 2016 budgeted target of $3,570.8 million by $17.9 million. Revenues from transaction taxes, licenses and permits, and charges for services are estimated to outperform the budget. Gains from these revenues are estimated to offset losses in other revenues.

General Fund tax revenue consists of local tax revenue and intergovernmental tax revenue. Local tax revenue includes utility, transaction, transportation, recreation, business, and local sales taxes. Intergovernmental tax revenue includes the City's share of the Illinois sales and use tax, income tax, PPRT, and municipal auto rental tax. The 2017 budget anticipates that local tax revenues will increase by

$16.3 million, or 0.9 percent over 2016 year-end estimates, and that intergovernmental tax revenues will grow by $7.7 million over the 2016 year-end estimate of $770.9 million. Major categories of revenue and trends are discussed below.

Utility tax revenue is estimated to total $429.7 million in 2016, $8 million lower than the 2015 actual revenue of $437.8 million, and accounts for 12.0 percent of total 2016 estimated General Fund resources at year-end. Numerous factors impact utility tax revenues including weather, natural gas prices, rate changes, and evolving technologies that affect consumer behavior and energy use. The 2017 budget forecast assumes the return of more typical winter weather and an increase in natural gas tax revenues from the 2016 year-end estimate.

Transaction taxes include taxes on the transfer of real estate, the lease or rental of personal property, and the short-term lease of motor vehicles in the City. The 2016 year-end estimate is 19.8 percent above 2016 budgeted amounts due to multiple large real estate transfers as well as greater compliance by businesses subject to these taxes. While the economy continues to grow at a modest pace, the 2017 budget anticipates transaction taxes in 2017 to be 4.4 percent less than the 2016 year-end estimate of $412.9 million, reflecting fewer large real estate transfers. Transaction taxes are expected to generate $394.9 million in 2017, or 10.7 percent of projected general fund revenue in 2017.

Transportation taxes include taxes on parking, vehicle fuel purchases, and the provision of ground transportation for hire. Transportation taxes are expected to generate $238.4 million in 2016, up significantly from the $197.9 million in revenue collected in 2015. The increase is due largely to revisions to ground transportation tax rates and other fees on rides provided by the taxi and rideshare industries included in the 2016 budget. Transportation taxes account for 6.6 percent of total projected general fund revenue in the 2017 budget, and are expected to generate $241.4 million for 2017.

Recreation taxes are expected to generate $221.6 million in 2017, an increase of $3.6 million from 2016 year-end estimate of $218.0 million. Recreation tax revenue represents 6.0 percent of total projected 2017 corporate fund revenue. Amusement tax revenue is forecasted to total $143.2 million in 2017, up from a projected $139 million in 2016, due in part to the growing tourism industry. Amusement tax revenue in 2017 is expected to increase as a result of changes to how the amusement tax is applied to ticket re-sales that are part of the 2017 budget.

Business taxes include the hotel accommodations tax and the tax on the sale of fire insurance within the City. In addition, the 2017 budget includes the implementation of a $0.07 per bag tax on plastic and paper disposable bags not offered for sale as general merchandise with the retailer keeping $0.02 per bag and remitting the remaining $0.05 to the City. Anticipated revenue for the General Fund from this tax in 2017 is $9.2 million.

Sales and use tax revenue in the General Fund is expected to total $698.84 million in 2017, an increase of $21.1 million over the 2016 year-end estimate of $677.8 million. Sales and use taxes account for 19 percent of total projected General Fund revenues. The projected sales tax revenue increase in 2017 is driven in part by wage growth and consumer confidence.

Income taxes include the City's share of the State income tax and PPRT, both of which are distributed to the City by the State based on defined formulas. Income tax and PPRT revenues to the General Fund are expected to total $399.6 million in 2017, accounting for 10.9 percent of total projected General Fund revenue. Income tax revenue is expected to end 2016 slightly below budget at $262.6 million as a result of the State increasing the amount it retains from corporate tax receipts for refunds as part of the State FY 2017 budget. Despite the larger diversion for refunds, income tax revenue is expected to increase in 2017 to $267.4 million as a result of continued economic growth.

The City's 2016 budget originally anticipated $170.4 million in PPRT revenue, but the City now estimates that PPRT revenue for 2016 will be $140.2 million. The lower PPRT estimate for 2016 is the result of two factors. First, the Illinois Department of Revenue ("*IDOR*") notified local units of government receiving PPRT in April 2016 that it had mistakenly classified $168 million of individual income tax as PPRT, which it distributed to local units of government between April 2014 and March 2016. The misclassification also meant prior estimates of PPRT for State FY 2016 and preliminary estimates for State FY 2017 were inflated. As a precautionary measure, IDOR advised that it would reduce distributions for the remainder of 2016 to prevent further overpayment until final tax returns were filed in October 2016. IDOR also stated it would begin recouping the $168 million from affected units of government over a two-year period starting in January 2017. The second factor impacting the City's 2016 allocation of PPRT is the State's FY 2017 'stop gap' budget, which diverts $100 million in PPRT to community colleges and small school districts. IDOR has since indicated that this $100 million diversion would count as an initial step toward the State's efforts to recover the $168 million of income tax misclassified as PPRT. As a result, the City now assumes the $19.4 million it received in error will be recouped by the State in the form of reduced distributions from PPRT paid between July 2016 and December 2017. As a result of these factors, PPRT revenue for 2017 is anticipated to be $132.3 million, which is nearly $8 million less than the 2016 year-end estimate of $140.2 million.

Non-tax revenues are estimated to be $1,046.2 million in 2016, a 3.9 percent decrease over 2015 non-tax revenues of $1,088.6 million. The 2017 budget forecasts that non-tax revenues will increase by $75.2 million over the 2016 year-end estimates, accounting for 30.5 percent of total projected General Fund revenues. Total revenue from licenses and permits is projected to be $128.0 million in 2017, accounting for 3.5 percent of General Fund revenues. Revenue from fines, forfeitures, and penalties in 2017 is estimated to be $358.8 million as a result of greater enforcement and collection efforts. This figure accounts for 9.7 percent of 2017 General Fund revenues and represents a 2.8 percent increase over 2016 year-end projected revenues of $348.9 million. In 2017, the Department of Finance plans to employ data analytics, expanded debt checks, and other enforcement measures to improve compliance and increase outstanding debt collections. The City anticipates collecting $15 million in revenue from these improved enforcement measures.

Year-end expenditures for 2017 are projected at $3,719.0 million, an increase of 4.2 percent over 2016 budgeted expenditures. Under the 2017 budget, 82 percent of General Fund expenses are for personnel-related costs, which include salaries and wages, pension contributions, healthcare, overtime pay, and unemployment compensation. Other categories of expenditure are debt service payments, contractual services, and commodities and materials.

General Fund 2018-2019 Outlook. The City projects operating budget gaps for the General Fund of $233.2 million and $324.2 million for the years 2018 and 2019, respectively.

These outlooks project revenue growth of approximately 1.0 percent over the prior year in both 2018 and 2019, resulting in total General Fund revenues of $3,539 million and $3,575 million, respectively. A conservative approach is taken in these projections under the assumption that the economy will continue to experience moderate growth going forward.

These projections are based on the continuation of similar trends as discussed above with respect to 2017, including sales tax, transaction taxes, and local non-tax revenue. Real property transfer tax revenue is expected to grow by 3.0 percent in both 2018 and 2019. Utility taxes are expected to decrease slightly both years as telecommunication taxes continue their downward trend. Hotel tax revenue is expected to grow by 3.0 percent in 2018 and 2.0 percent in 2019 as Chicago's tourism and convention industry continues to grow.

PPRT is expected to grow over 2017 estimates as the State recoups its final overpayments in 2018 and more PPRT is anticipated to flow to local governments. However, PPRT is not expected to return to its pre-2016 level in 2018 or 2019.

General Fund operating expenditures are projected to outpace General Fund revenue growth during this period, due largely to normal growth in wages and other personnel costs. The average annual rate of increase of 3.3 percent is expected to increase overall expenditures to $3,772 million in 2018 and $3,900 million in 2019. Most categories of expenditures, including motor fuel, settlements and judgments, and other miscellaneous expenses, are assumed to grow at their long-term historically average rates. Salary and wages and health care expenditures are projected based on the assumption that the number of full time equivalent positions will remain approximately flat and that costs associated with these positions will experience growth in line with long-term historical trends.

Fund Stabilization

The City's policy is to maintain sufficient unrestricted fund balances to mitigate current and future risks, emergencies, or unanticipated budget shortfalls. As part of its financial and budget practices, the City establishes and maintains three sources of the unrestricted budgetary fund balance, referred to collectively as Budget Stabilization Fund or fund balance: (i) Asset Lease and Concession Reserves, (ii) Operating Liquidity Fund, and (iii) Unassigned Fund Balance. Current City policy states that the City will maintain an unrestricted budgetary fund balance equivalent to no less than two months of operating expenses.

Asset Lease and Concession Reserves

The City established long-term reserves of $500 million and $400 million, respectively, with proceeds of the upfront payments from the long-term lease or concession of the Chicago Skyway and the City's metered parking system ("*Metered Parking System*"). See "—Long-term Leases, Concessions of City Facilities" below.

The interest earned on the Skyway Lease reserves was intended to be used for City operating expenses and has been utilized as planned. The principal balance remains $500 million and the earned interest has been transferred to the General Fund each year, with the dollar amount of the transfer reflecting variations in interest rates.

The reserves from the Metered Parking System were created to replace revenues that would have been generated from parking meters by transferring interest earnings on the reserves to the General Fund, with the principal remaining intact at $400 million. However, starting in 2009, the City began utilizing these long-term reserves to subsidize the City's operating budget. In 2009, $20 million was transferred to the General Fund, and in 2010, $160 million was used for City operating expenses. The 2011 budget included a $140 million transfer from the reserves for operating purposes. Utilizing these reserves reduced the principal balance substantially below the initial deposit and accordingly reduced the interest earnings generated by the reserves. The ordinance establishing the reserves directed that an annual transfer of $20 million be made from the reserve fund into the General Fund to replace lost meter revenue. In order to maintain these reserves, the City amended the ordinance in 2012 to state that only interest generated from the reserves, and not principal, must be transferred for this purpose.

Set forth in the table below is information about the City's long-term reserves as of December 31 of the years 2010 through 2015.

ASSET LEASE AND CONCESSION RESERVES 2010-2015
($ in millions)

Year	Skyway	Metered Parking System	Total[1]
2010	$500	$220	$720
2011	500	80	580
2012	500	100	600
2013	500	115	615
2014	500	120	620
2015	500	120	620

Source: City of Chicago, Office of Budget and Management.

(1) The amounts presented are based on cost of funds held in the Service Concession and Reserve Fund. The market value of the funds may vary depending on the market value of investments.

Operating Liquidity Fund

In 2016, the City created the Operating Liquidity Fund for purposes of fiscal management. The Operating Liquidity Fund is expected to function as recurring short-term funding for City operations that are funded from a dedicated revenue source (e.g., Chicago Public Library property tax revenue), to mitigate against temporary revenue shortfalls caused by timing differences in the receipt of certain revenue. The Operating Liquidity Fund is not intended to provide one-time revenue to the General Fund budget or provide an indefinite line of credit. The City has set aside $5 million in the 2015 unassigned fund balance for the Operating Liquidity Fund. The City plans to deposit another $5 million in the Operating Liquidity Fund in 2017.

Unassigned Fund Balance

Surplus resources identified throughout the annual financial audit process make up the unassigned fund balance. The City's unassigned fund balance was $33.8 million in 2013, $51.6 million in 2014, and $93.0 million in 2015. The growth has been due in part to the improving economy, enhancements in revenue systems, including debt collection and investment strategies, and ongoing savings and efficiencies.

Current City policy states that the City will not appropriate more than 1 percent of the value of the annual corporate budget from the prior year's audited unassigned fund balance in the current year's budget.

Capital Improvements

The City's Capital Improvement Program ("*CIP*") funds the physical improvement or replacement of City-owned infrastructure and facilities with long useful lives, such as roads, buildings and green spaces. The CIP is funded from general obligation bond proceeds, revenue bond proceeds (largely for water, sewer, and aviation improvements), State and federal funding, tax increment financing, and private funding through public/private ventures. Capital improvements are projects with long useful lives that maintain, upgrade, or replace public infrastructure and public service providing facilities. Each year, the City updates the CIP, producing a spending "blueprint" based upon the most current revenue projections and project priorities. Continued investments in infrastructure and facilities are critical to support and enhance neighborhoods, stimulate the economy, and improve services. The CIP for 2017 is approximately $1.9 billion, including $595 million for infrastructure projects, $26 million for greening and open space development, primarily the Chicago Riverwalk, and $54 million for facilities. The City expects to use general obligation bonds to fund $138 million of projects, and will fund the remaining projects through revenue bonds, federal and State funding, and other available sources.

From 2011 to 2015, the City utilized proceeds from the issuance of general obligation bonds to fund $663.2 million in capital improvements. General obligation bonds were utilized to support the types of projects described in the following table.

CAPITAL IMPROVEMENT PROJECTS[(1)]

Project	Description
Greening	Green ways, medians, trees, fountains, community gardens, neighborhood parks, wetlands, and other natural areas.
Facilities	Improvement and construction of City buildings and operating facilities, police and fire stations, health clinics, senior centers, and libraries.
Infrastructure	Construction and maintenance of streets, viaducts, alleys, lighting, ramps, sidewalks, bridge improvements, traffic signals, bike lanes, streetscapes, and shoreline work.
Aldermanic menu projects	Selected by members of City Council, each of whom is annually allotted $1.32 million of general obligation bond proceeds to be spent at their discretion on a specific menu of improvements in their respective wards. These funds have been used primarily for sidewalks, residential street resurfacing, street lighting, and curb and gutter replacement, with portions of these funds contributed to the Chicago Park District, Board of Education of the City of Chicago, and the Chicago Transit Authority. Also included in this category are costs related to the improvements selected by the alderman, such as design and engineering, utility adjustments, and sidewalk ramps.

(1) General obligation bonds have also funded a limited number of other uses, which are discussed under "GENERAL OBLIGATION DEBT—Long-Term General Obligation Bonds."

Set forth in the following table are the capital uses of general obligation bonds from 2011 through 2015.

CAPITAL USES OF GENERAL OBLIGATION BONDS 2011-2015
($ in millions)

	2011	2012	2013	2014	2015
Greening	$ 5.8	$ 4.2	$ 4.4	$ 4.6	$ 4.0
Facilities	24.9	12.7	3.6	4.6	5.0
Infrastructure	26.0	33.1	36.3	32.0	24.0
Aldermanic Menu	102.0	84.0	84.0	84.0	84.0
Total	$158.7	$134.0	$128.3	$125.2	$117.0

Source: City of Chicago, Office of Budget and Management.

General obligation bond-funded capital improvements have decreased since 2011 as the debt service associated with the City's long-term general obligation debt has grown and the City has made efforts to cut overall costs.

City Workforce

The City has decreased its workforce from 38,200 positions (40,297 full-time equivalents, or "*FTEs*") in 2006 to 33,321 positions (34,327 FTEs) in 2016, a decrease of approximately 15 percent. Approximately 91 percent of the City's workforce is represented by unions. The City is party to collective bargaining agreements with more than 40 different unions.

The two largest bargaining units are the Fraternal Order of Police, Lodge No. 7 ("*FOP*") and the Chicago Firefighters Union ("*Local 2*"), currently with 16,096 combined sworn public safety positions. When police captains, lieutenants, and sergeants are included, the number of unionized sworn public safety positions comes to 17,539.

The next largest group of positions is associated with the Coalition of Union Public Employees ("*COUPE*"), which currently represents 6,754 trades positions (7,315 FTEs). The American Federation of State, County, and Municipal Employees ("*AFSCME*") is the fourth largest group, representing 3,479 positions (3,650 FTEs) that provide administrative support for City government and services, and the Service Employees International Union ("*SEIU*") currently represents 1,967 public safety civilian positions (2,717 FTEs), such as traffic control aides, detention aides, and police communication operators.

The collective bargaining agreements with each of these unions include regular salary increases, resulting in higher personnel costs each year. The current collective bargaining agreement between the City and the FOP, covering the terms and conditions of employment of approximately 11,015 Chicago police officers for the period July 1, 2012 through June 30, 2017, was signed and became effective on November 18, 2014. The agreement provides for wage increases during the 5-year term totaling approximately 10 percent, including retroactive increases effective during the period July 1, 2012 through November, 2014. Retroactive increases of 2.0% were effective July 1, 2012, January 1, 2013, and January 1, 2014. The retroactive increases have been paid by the City with borrowings under the Short-Term Borrowing Program. These borrowings will be repaid with available resources from the General Fund.

An agreement with the Local 2, providing for an 11 percent increase over the period 2012 to 2017, was ratified by the union in June 2014. The most recent agreement with COUPE provides for wage rates set at the prevailing rates established regularly by the Illinois Department of Labor for construction trades employees; for employees not subject to prevailing rate schedules, the agreement provides for 2 percent increases each year from 2013 through 2017. The most recent agreement with AFSCME, ratified in June 2014, provides for a 10 percent increase over the 5-year period 2012 to 2017. The current SEIU agreement, ratified in August 2012, includes a 6 percent increase between 2011 and 2016. Agreements ratified by the unions representing police sergeants, lieutenants and captains in late 2013 and early 2014, each provide for an 8 percent salary increase between 2012 and 2016.

These increases are in addition to the raises based on time in service that most employees receive. Historically, non-union employees received salary increases equal to those negotiated for civilian positions; however, since 2009, the majority of non-represented employees have not received salary increases beyond normal step increases for time in service.

Property Taxes

The City levies *ad valorem* real property taxes pursuant to its authority as a home rule unit of local government under the Illinois Constitution of 1970. Real property taxes represent the single largest revenue source for the City. As part of the City's budget process each year, the City determines the aggregate property tax levy that will be levied in the next fiscal year and collected in the following year.

EAV and Property Taxes

The City's aggregate property tax levy is divided by the equalized assessed value ("*EAV*") of all property in the City to determine the tax rate that will be applied to an individual taxpayer's property. The tax rate is applied to the EAV of the taxpayer's property to determine the tax bill. Changes in EAV do not affect the amount of the City's property tax revenue because the City's property taxes are levied at a flat dollar amount. For information on real property assessment, tax levy and tax collection in Cook County, see APPENDIX D—"PROPERTY TAXES."

The following tables present statistical data regarding the City's property tax base, tax rates, tax levies and tax collections from 2006 forward.

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ASSESSED, EQUALIZED ASSESSED AND ESTIMATED VALUE OF ALL TAXABLE PROPERTY 2006 – 2015

($ in thousands)

Tax Levy Year[2]	Assessed Value[1] Class 2[3]	Class 3[4]	Class 5[5]	Other[6]	Total	State Equalization Factor[7]	Total Equalized Assessed Value[8]	Total Direct Tax Rate	Total Estimated Fair Cash Value[9]	Total Equalized Assessed Value as a Percentage of Total Estimated Fair Cash Value
2006	$18,521,873	$2,006,898	$12,157,149	$688,868	$33,374,788	2.7076	$69,511,192	1.062	$329,770,733	21.1%
2007	18,937,256	1,768,927	12,239,086	678,196	33,623,465	2.8439	73,645,316	1.044	320,503,503	23.0
2008	19,339,574	1,602,769	12,359,536	693,239	33,995,118	2.9786	80,977,543	1.030	310,888,609	26.0
2009	18,311,981	1,812,850	10,720,244	592,364	31,437,439	3.3701	84,586,808	0.986	280,288,730	30.2
2010	18,074,177	1,416,863	10,467,682	606,941	30,565,663	3.3000	82,087,170	1.016	231,986,396	35.4
2011	17,932,671	1,116,175	10,456,103	588,672	30,093,621	2.9706	75,122,914	1.110	222,856,064	33.7
2012	15,529,678	1,208,620	10,233,051	498,310	27,469,659	2.8056	65,250,387	1.279	206,915,723	31.5
2013	15,410,659	1,236,401	10,172,186	494,714	27,313,960	2.6621	62,363,876	1.343	236,695,475	26.3
2014	15,390,835	1,298,776	10,124,569	512,390	27,326,570	2.7253	64,908,057	1.327	255,639,792	25.3
2015[10]	–	–	–	–	–	2.6685	70,963,289	1.672	–	–

(1) Source: Civic Federation for Levy Year 2009 and prior. Cook County Assessor's Office for Levy Year 2010-2014. Excludes the portion of the City in DuPage County.
(2) Taxes for each year become due and payable in the following year. For example, taxes for the 2014 tax levy became due and payable in 2015.
(3) Residential, six units and under.
(4) Residential, seven units and over and mixed use.
(5) Industrial/commercial.
(6) Vacant, not-for-profit and industrial/commercial incentive classes.
(7) Source: Illinois Department of Revenue.
(8) Source: Cook County Clerk's Office. Calculations are net of exemptions and exclude portions of the City in DuPage County. Calculations also include assessment of pollution control facilities and railroad property.
(9) Source: The Civic Federation. Excludes railroad property, pollution control facilities and portion of the City in DuPage County.
(10) Complete information not available at time of publication.

PROPERTY TAXES FOR ALL CITY FUNDS, COLLECTIONS AND ESTIMATED ALLOWANCE FOR UNCOLLECTIBLE TAXES 2006–2015[1]

($ in thousands)

Tax Levy Year[2]	Total Tax Levy for Fiscal Year[3][4]	Collections within Fiscal Year: Amount	Collections within Fiscal Year: Percentage of Levy	Collections in Subsequent Years	Total Collections to Date: Total Tax Collections[5]	Total Collections to Date: Percent of Total Tax Collections to Tax Levy	Estimated Allowance for Uncollectible Taxes	Net Outstanding Taxes Receivable
2006	$ 719,230	$ 630,666	87.7%	$ 59,952	$ 690,618	96.0%	$28,600	–
2007	749,351	712,008	95.0	13,216	725,224	96.8	24,141	–
2008	834,152	776,522	93.1	32,587	809,109	97.0	25,104	–
2009	834,109	700,579	84.0	103,568	804,147	96.4	29,273	–
2010	834,089	790,141	94.7	20,396	810,537	97.2	23,933	–
2011	833,948	800,582	96.0	10,847	811,429	97.3	22,127	$ 392
2012	834,636	804,245	96.4	19,366	823,611	98.7	10,872	153
2013	838,254	807,985	96.4	18,953	826,938	98.7	11,007	309
2014[5]	861,416	820,706	95.3	20,716	841,422	97.7	19,607	387
2015[6]	1,186,625	1,136,820	95.8	–	1,136,820	95.8	47,465	2,340

(1) Source: Cook County Clerk's Office.
(2) Taxes for each year become due and payable in the following year. For example, taxes for the 2014 tax levy become due and payable in 2015.
(3) Does not include levy for Special Service Areas and net of collections for TIF districts.
(4) Does not include the levy for the Schools Building and Improvement Fund, which is accounted for in an agency fund.
(5) Reflects tax collections through November 30, 2016.
(6) Reflects tax collections through November 30, 2016.

Use of City Property Tax Levy

Revenue from the City's property tax levy has been utilized primarily to pay the City's debt service and employer pension contributions. A small amount of the levy is allocated to the library system.

The amounts and tax rates of the City's property tax levy for debt service and employer pension contribution by Retirement Fund are set forth in the following tables for the years indicated.

PROPERTY TAX LEVIES 2011-2015[1]
($ in thousands)

	2011	2012	Change (%)	2013	Change (%)	2014	Change (%)	2015	Change (%)
Note Redemption and Interest[2]	$ 73,377	$ 73,481	0.1%	$ 74,231	1.0%	$ 97,061	30.8%	$97,708	0.7%
Bond Redemption and Interest	411,905	411,489	(0.1)	411,807	0.1	412,139	0.1	411,730	(0.1)
PABF[3]	143,785	143,865	0.1	138,146	(4.0)	136,680	(1.1)	361,987	164.8
MEABF[3]	126,997	129,138	1.7	122,066	(5.5)	123,239	1.0	124,706	1.2
FABF[3]	66,125	65,461	(1.0)	81,518	24.5	81,363	(0.2)	179,424	120.5
LABF[3]	11,759	11,202	(4.7)	10,486	(6.4)	10,934	4.3	11,070	1.2
Total	$833,948	$834,636	0.1%	$838,254	0.4%	$861,416	2.8%	$1,186,625	37.8%

Source: Cook County Clerk's Office.

(1) Does not include the levy for the School Building and Improvement Fund which is accounted for in an agency fund.

(2) Includes Corporate, Chicago Public Library Maintenance and Operations, Chicago Public Library Building and Sites, and City Relief Funds.

(3) For information regarding the City's unfunded pension obligations, see "RETIREMENT FUNDS—Payment for Pension Benefits—*Funded Status of the Retirement Funds*."

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PROPERTY TAX RATES PER $100 OF EQUALIZED ASSESSED VALUATION 2006-2015

Tax Levy Year	Tax Extension[(1)(2)] (in thousands)	Bond, Note Redemption and Interest[(3)]	Policemen's Annuity and Benefit	Municipal Employees' Annuity and Benefit	Firemen's Annuity and Benefit	Laborers' and Retirement Board Employees' Annuity and Benefit	Total
2006	$719,230	$0.569261	$0.194953	$0.197399	$0.099974	–	$1.062
2007	749,351	0.588843	0.191548	0.174302	0.088581	–	1.044
2008	834,152	0.602842	0.172426	0.162182	0.080787	$0.011763	1.030
2009	834,109	0.570806	0.167552	0.153704	0.078184	0.015754	0.986
2010	834,089	0.588774	0.170734	0.161435	0.078352	0.016705	1.016
2011	833,948	0.645918	0.191381	0.169036	0.088014	0.015651	1.110
2012	834,636	0.743122	0.220459	0.197892	0.100313	0.017166	1.279
2013	838,254	0.778719	0.221494	0.195703	0.130700	0.016813	1.343
2014	861,416	0.783368	0.210554	0.189848	0.125339	0.016844	1.327
2015	1,186,625	0.717373	0.510054	0.175716	0.252815	0.015598	1.672

Source: Cook County Clerk's Office.

(1) Does not include levy for Special Service Areas and net of collections for TIF districts.

(2) Does not include the levy for the Schools Building and Improvement Fund, which is accounted for in an agency fund.

(3) Includes rates from the Chicago Public Library Bond, Note Redemption and Interest Fund.

As shown above, the aggregate property tax levies over the period 2008 through 2013 remained relatively constant. The increase in 2014 was primarily due to property tax surpluses from TIF district terminations and did not represent an increase in the total tax levy for that year. See "—*TIF Districts*" below. The majority, $318 million, of the tax levy increase in 2015 reflects the first year of a $543 million 4-year phase in of higher property taxes to fund for the City's retirement systems. See "RETIREMENT FUNDS—Payment for Pension Benefits—*Determination of City's Contributions*."

The City is one of several taxing districts reflected on a Chicago resident's property tax bill. The amount of property taxes collected by Cook County is divided among these districts, with the City allocated approximately 24 percent of the typical bill. For information on property taxes levied on real property within the City by overlapping taxing districts, see "—*Overlapping Taxing Districts*" below.

TIF Districts

In addition to the revenues the City receives from its general property tax levy, the City derives property tax revenue from the City's TIF districts. TIF revenue must be utilized for specific types of expenses in specific districts and is not available for non-specified governmental uses. The City's TIF program began in 1984 with the goal of promoting business, industrial, and residential development in areas of the City that struggled to attract or retain housing, jobs, or commercial activity. The program is governed by a State law that allows municipalities to capture property tax revenues derived from the EAV growth above the base EAV that existed before an area was designated as a TIF district for the term of the TIF district, and to use that money (the tax increment) for job training, public improvements and incentives to attract private investment to the area. In 2016, the TIF statute was amended to authorize the creation of TIF districts specifically for public transit facilities. The City created its first transit TIF district in November 2016 to fund improvements to the Chicago Transit Authority Red and Purple Lines.

When a TIF district ends, or the City, under certain circumstances, declares a surplus in the TIF district, the City returns the surplus funds to the Cook County Treasurer for distribution to the overlapping taxing districts based upon each district's share of the aggregate tax rate under the applicable tax code. Such surplus declaration occurs typically during the City's annual budget process.

Additionally, beginning in mid-2015, the City froze spending on new projects other than critical infrastructure in seven downtown TIF districts. The City plans to declare as surplus all revenue not needed for current and committed projects in those districts. In addition, once all obligations are paid off, it is expected that those TIF districts will be terminated.

Set forth in the following table is information about the amount of money returned to taxing districts from declared surplus or the expiration, repeal or termination of TIF districts from 2011 through 2017.

TIF SURPLUS 2011-2017
($ in millions)

	2011	2012	2013	2014	2015	2016	2017
Declared	$188.0	$82.9	$25.0	$39.1	$39.5	$112.0	$172.0
Expiration	15.1	13.7	8.4	25.4	44.3	–	–
Repeal	73.3	–	0.5	–	–	–	–
Termination	–	–	9.6	0.6	0.5	1.0	3.0
Total	$276.4	$96.6	$43.5	$65.1	$84.3	$113.0	$175.0

Source: City of Chicago, Office of Budget and Management.

The City receives approximately 24 percent of all surplus dollars distributed by the Cook County Treasurer to the overlapping taxing districts. The 2017 declared TIF surplus of $175 million provides $40.5 million to the City.

Upon the expiration, repeal or termination of TIF districts, the incremental EAV of the district becomes a part of the aggregate EAV that is available to all overlapping taxing districts. Taxing districts, including the City, have the ability to recover their portion of the revenue from the incremental EAV by adding it to their levy following a TIF district's dissolution. This practice yielded the City $1.1 million from three TIF districts in 2012, $3.3 million from 12 TIF districts in 2013 and $16.6 million from six TIF districts in 2014. The City will continue to receive TIF surplus on an annual basis as TIF districts are repealed, terminated or expire.

Overlapping Taxing Districts

Various governmental entities operate as separate, independent units of government and have authority to issue bonds and levy taxes on real property within the City. These governmental entities, or overlapping taxing districts, are the Board of Education of the City of Chicago ("*CBOE*"), Cook County, Illinois ("*Cook County*"), the Metropolitan Water Reclamation District of Greater Chicago ("*MWRD*"), the Chicago Park District (the "*Park District*"), Community College District Number 508, County of Cook and State of Illinois ("*City Colleges*"), and the Cook County Forest Preserve District ("*Forest Preserve*").

Most of the overlapping taxing districts lack home rule status; accordingly, the amount by which they can increase their annual property tax levy is limited by tax cap legislation unless they obtain voter approval and/or State legislative authorization. The City can give no assurance as to whether, and to what extent, property taxes levied by overlapping taxing districts may increase in coming years.

The combined property tax rates of the City and overlapping taxing districts are set forth in the following table for the years 2006 to 2015.

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COMBINED PROPERTY TAX RATES OF THE CITY AND OTHER MAJOR GOVERNMENTAL UNITS PER $100 OF EQUALIZED ASSESSED VALUATION 2006-2015

Tax Levy Year	City	City of Chicago School Building & Improvement Fund	Chicago School Finance Authority	Chicago Board of Education	City Colleges of Chicago	Chicago Park District	Metropolitan Water Reclamation District	Forest Preserve District of Cook County	Cook County	Total
2006	$1.062	–	$0.118	$2.697	$0.205	$0.379	$0.284	$0.057	$0.500	$5.302
2007	1.044	–	0.091	2.583	0.159	0.355	0.263	0.053	0.446	4.994
2008	1.030	$0.117	–	2.472	0.156	0.323	0.252	0.051	0.415	4.816
2009	0.986	0.112	–	2.366	0.150	0.309	0.261	0.049	0.394	4.627
2010	1.016	0.116	–	2.581	0.151	0.319	0.274	0.051	0.423	4.931
2011	1.110	0.119	–	2.875	0.165	0.346	0.320	0.058	0.462	5.455
2012	1.279	0.146	–	3.422	0.190	0.395	0.370	0.063	0.531	6.396
2013	1.343	0.152	–	3.671	0.199	0.420	0.417	0.069	0.560	6.832
2014	1.327	0.146	–	3.660	0.193	0.415	0.430	0.069	0.568	6.808
2015	1.672	0.134	–	3.455	0.177	0.382	0.426	0.069	0.552	6.867

Source: Cook County Clerk's Office.

The aggregate long-term general obligation debt of the City and the bonded debt of the overlapping taxing districts as of December 31 of the years 2007 through 2015 and as of December 1, 2016 are set forth below.

LONG-TERM GENERAL OBLIGATION DEBT OF THE CITY AND BONDED DEBT OF OVERLAPPING TAXING DISTRICTS AS OF DECEMBER 31 OF THE YEARS 2007-2015 AND DECEMBER 1, 2016

($ in thousands, except Net Direct Debt Per Capita)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	12/1/2016
CBOE	$ 4,719,935	$ 4,623,026	$ 5,295,249	$ 5,596,922	$ 5,907,450	$ 6,365,573	$ 6,207,790	$ 6,038,973	$ 6,152,448	$ 6,801,409
Park District	855,270	822,820	814,290	944,565	924,170	874,710	865,665	844,460	840,460	863,580
City Colleges of Chicago	–	–	–	–	–	–	250,000	250,000	245,995	241,830
Cook County	1,422,459	1,320,897	1,436,563	1,617,172	1,786,751	1,783,542	1,715,011	1,670,473	1,702,207	1,670,191
Chicago School Finance Authority	127,795	66,645	–	–	–	–	–	–	–	–
Forest Preserve	58,404	53,225	50,670	48,419	45,706	92,847	86,091	85,454	85,372	86,774
MWRD	720,321	651,276	942,299	951,165	1,213,007	1,267,749	1,213,933	1,224,149	1,370,699	1,471,871
Net Overlapping Long-term Debt	7,904,183	7,537,888	8,539,071	9,158,243	9,877,084	10,384,421	10,338,489	10,113,510	10,397,181	11,135,655
City of Chicago GO Bonds	5,805,921	6,126,295	6,866,270	7,328,452	7,628,222	7,939,682	7,670,298	8,339,626	9,041,892	9,065,990
Net Direct and Overlapping long-term debt	$ 13,710,104	$ 13,664,183	$ 15,405,341	$ 16,486,695	$ 17,505,306	$ 18,324,103	$ 18,008,787	$ 18,453,136	$ 19,439,073	$ 20,201,645
Net Direct Debt Per Capita[1]	$ 4,734.13	$ 4,718.27	$ 5,319.49	$ 6,116.16	$ 6,494.03	$ 6,797.79	$ 6,680.81	$ 6,845.66	$ 7,211.41	$ 7,494.31
Total Est. Fair Cash Value[2]	$320,503,503	$310,888,609	$280,288,730	$231,986,396	$222,856,064	$206,915,723	$236,695,475	$255,639,792	$255,639,792	$255,639,792
Ratio of Debt to Fair Cash Value[3]	4.28%	4.40%	5.50%	7.11%	7.85%	8.86%	7.61%	7.22%	7.60%	7.90%

Source: Debt of overlapping taxing districts from the respective districts.

(1) Population source: U.S. Census Bureau. From 2007 through 2009, per capita is based on the 2000 population of 2,896,016. From 2010 through 2016, per capita is based on the 2010 population of 2,695,598.

(2) Source: The Civic Federation. Excludes railroad property, pollution control facilities and portion of City in DuPage County.

(3) Calculations for 2014, 2015, and as of December 1, 2016, are based on 2014 estimated fair cash value.

Overlapping Taxing Districts

The overlapping taxing districts within the City maintain five pension funds for their respective employees that are supported by local government revenues. Statistical data for the four City pension funds and the five overlapping taxing district's pension funds is set forth in the table below.

CITY AND OVERLAPPING TAXING DISTRICTS
PENSION FUNDS SUPPORTED BY LOCAL GOVERNMENT REVENUES[(1)]

	Unfunded Actuarial Accrued Liability ($ in millions)	Unfunded Liability Per Capita[(2)]	Funded Ratio
Overlapping Taxing Districts			
MWRD	$ 1,063.0	$ 203	55.2%
Cook County	7,241.2	1,382	55.4
Forest Preserve	129.0	25	60.0
CBOE[(3)]	9,635.4	3,542	52.4
Park District	514.6	189	43.5
Subtotal	$18,583.2	$ 5,341	
City Pension Funds	$23,041.6	$ 8,469	31.1%
TOTAL	$41,624.8	$13,810[(4)]	

Source: Most recent actuarial valuation of the pension fund of the overlapping taxing district.

(1) Excludes City Colleges, the employees of which are members of the State Universities Retirement System which is funded by the State; excludes the Chicago Transit Authority pension fund which is supported by local sales taxes, real estate transfer taxes, subsidies from the Regional Transportation Authority and fares.

(2) Per capita amounts are based on the U.S. Census Bureau's 2015 population estimate of the City (2,720,546) and of Cook County (5,238,216) as described in APPENDIX B—"ECONOMIC AND DEMOGRAPHIC INFORMATION—Population." The City's population was used to calculate the per capita numbers for the City and for the CBOE and the Park District, each of which has boundaries coterminous with the City. Cook County's population was used to calculate the per capita numbers for Cook County, the Forest Preserve, which has boundaries coterminous with Cook County, and MWRD which, though not coterminous with Cook County, has boundaries which overlap in excess of 98% with the boundaries of Cook County, measured by EAV.

(3) CBOE makes contributions to the Chicago Teachers' Fund.

(4) Represents the average burden on a resident of the City as a result of the unfunded pension liabilities of the City and the overlapping taxing districts.

The information set forth in the preceding table may not incorporate the various reforms that have been adopted for certain of these pension funds, and should not be relied upon for the financial condition of the funds currently. The information is presented only to provide an indication of the magnitude of the unfunded pension liabilities of the overlapping taxing districts when combined with the unfunded pension liabilities of the City. For additional detail on the liabilities of the four City pension funds, see "RETIREMENT FUNDS—Payment for Pension Benefits".

Long-Term Leases, Concessions of City Facilities

The City is a party to long-term lease or concession agreements with respect to certain City-owned facilities, as described below.

In 2005, the City entered into a 99-year lease of the Chicago Skyway (the "*Skyway Lease*"), under which Skyway Concession Company, LLC, was granted the right to collect and retain toll revenue from the Skyway. In return, the City received an upfront payment of $1.83 billion.

In 2006, the City entered into the Chicago Downtown Public Parking System Concession and Lease Agreement (the "*Parking Garages Lease Agreement*") with Chicago Loop Parking, LLC ("*CLP*"), by which CLP was granted a 99-year concession to operate the public parking garages commonly referred to as Millennium Park, Grant Park North, Grant Park South and East Monroe (collectively the "*Parking Garages*"). Under the Parking Garages Lease Agreement, CLP was granted the right to operate and collect revenue from the Parking Garages in return for an upfront payment of $563 million to the City. In May 2016, the concessionaire interest in the Parking Garages Lease Agreement was sold to Millennium Parking Garages LLC.

In 2008, the City entered into the Chicago Metered Parking System Concession Agreement (the "*Metered Parking Concession Agreement*") with Chicago Parking Meters, LLC ("*CPM*"), by which CPM was granted a 75-year concession to operate the Metered Parking System, including the right to collect revenues derived from the metered parking spaces. In return, the City received an upfront payment of $1.15 billion.

The City established long-term reserves with portions of the upfront payments from the Skyway Lease and the Metered Parking System. See "—Service Concession and Reserve Fund" above.

Under each of the Skyway Lease, the Metered Parking Concession Agreement and the Parking Garages Lease, the lessee/concessionaire has the right to terminate the transaction and receive payment from the City for the fair market value of the respective City facilities in the event that the City, Cook County or the State were to take certain actions which materially adversely affected the value of the respective City facilities.

The Parking Garages Lease Agreement includes a provision by which certain events can require the City to compensate the lessee. One of those events is the granting of a license for the operation of a public garage that was not in existence as of the date of the Parking Garages Lease Agreement within a certain distance from the Parking Garages. In 2015, the City paid the lessee a judgment of approximately $62 million as compensation for granting a public garage license for a new parking garage within the specified distance from the Parking Garages.

The Parking Meters Concession Agreement includes a provision by which the City can be required to compensate CPM if usage of the Metered Parking System by vehicles displaying disabled parking placards (which are exempt from paying for on-street metered parking) exceeds a certain threshold. Pursuant to this provision, the City paid CPM $18.5 million for such usage by vehicles displaying a disabled parking placard during 2013. No such payment was paid pursuant to this provision for 2014; $171,456 was paid for 2015.

Illinois Sports Facilities Authority

The Illinois Sports Facilities Authority ("*ISFA*") is a State agency authorized to construct and operate sports facilities and provide financial assistance for governmental owners of sports facilities or their tenants. Beginning in 1980, the ISFA issued various series of bonds (and refunding bonds) for the development of the new Comiskey Park (now known as "Guaranteed Rate Field") and a portion of the Chicago lakefront including Soldier Field. The ISFA bonds are payable from State and City annual subsidy payments of $5 million each, with the City's subsidy taken from the City's share of the local government distributive fund, and a 2 percent hotel tax imposed by the ISFA (the "*ISFA Hotel Tax*").

The State advances to the ISFA certified annual operating expenses less the amount of the subsidies. The State withholds collections from the ISFA Hotel Tax to repay advanced amounts. If the ISFA Hotel Tax is not sufficient to repay the State advance, the deficiency is automatically withdrawn from the City's share of the local government distributive fund. During 2011, the ISFA hotel tax was inadequate to fully repay the State advance, and the deficiency of $185,009 was deducted from the City's share of the local government distributive fund. This is the only payment the City has made to date. Future City payments are dependent on hotel occupancy rates.

City Investment Policy

The investment of City funds is governed by the Municipal Code. Pursuant to the Municipal Code, the City Treasurer has adopted a Statement of Investment Policy and Guidelines for the purpose of establishing written cash management and investment guidelines to be followed by the City Treasurer's office in the investment of City funds. See APPENDIX C—"CITY OF CHICAGO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015—Notes (1) and (4)."

Amounts in a variety of funds of the City, including the General Fund, are invested on a comingled basis, and are referred to as the City's "consolidated cash." Consolidated cash may be used for interfund borrowings among various funds of the City, including, but not limited to, the General Fund, and such use reduces the need for external borrowing by the City to meet the needs of its funds. The City has maintained its consolidated cash, including interfund borrowing, so as to meet the obligations of its funds, including the General Fund, in a timely manner.

Notwithstanding the City's investment policy, all funds held under the Indenture must be held in Permitted Investments. See APPENDIX A—"SUMMARY OF THE INDENTURE—Glossary of Terms—*Permitted Investments*."

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RETIREMENT FUNDS

Payment for Pension Benefits

General

Pursuant to the Illinois Pension Code, as revised from time to time (the "*Pension Code*"), the City contributes to four retirement funds (collectively, the "*Retirement Funds*"), which provide benefits upon retirement, death or disability to members of the Retirement Funds and their beneficiaries. The Retirement Funds are, in order from largest to smallest membership: (i) the Municipal Employees' Annuity and Benefit Fund of Chicago ("*MEABF*"); (ii) the Policemen's Annuity and Benefit Fund of Chicago ("*PABF*"); (iii) the Firemen's Annuity and Benefit Fund of Chicago ("*FABF*"); and (iv) the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("*LABF*"). The Retirement Funds' membership consists primarily of current and former employees of the City and their beneficiaries.

The Retirement Funds are established, administered and financed under the Pension Code, as separate bodies politic and corporate and for the benefit of the members of the Retirement Funds and their beneficiaries. The City's contributions to the Retirement Funds, and benefits for members of the Retirement Funds and their beneficiaries, are governed by the provisions of the Pension Code. See "*—Determination of City's Contributions*" below. This Section describes, among other things, the current provisions of the Pension Code applicable to the City's funding of the Retirement Funds. No assurance can be made that the Pension Code will not be amended in the future.

Certain statements made in this Section are based on projections, are forward-looking in nature and are developed using assumptions and information currently available. Such statements are subject to certain risks and uncertainties. The projections set forth in this Section rely on information produced by the Retirement Funds' independent actuaries (except where specifically noted otherwise) and were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. This information is not fact and should not be relied upon as being necessarily indicative of future results. Readers of this Section are cautioned not to place undue reliance on the prospective financial information. Neither the City, the City's independent auditors, nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

Source Information

The information contained in this Section relies in part on information produced by the Retirement Funds, their independent accountants and their independent actuaries (the "*Source Information*"). Neither the City nor the City's independent auditors have independently verified the Source Information and make no representations nor express any opinion as to the accuracy of the Source Information.

Furthermore, where the tables in this Section present aggregate information regarding the Retirement Funds, such combined information results solely from the application of arithmetic to the data presented in the Source Information and may not conform to the requirements for the presentation of such information by the Governmental Accounting Standards Board ("*GASB*") or the Pension Code.

Certain of the comprehensive annual financial reports of the Retirement Funds (each a "*CAFR*" and together the "*CAFRs*"), and certain of the actuarial valuations of the Retirement Funds (each, an "*Actuarial Valuation*" and together, the "*Actuarial Valuations*"), may be obtained by contacting the Retirement Funds. Certain of these reports may also be available on the Retirement Funds' websites (www.meabf.org; www.chipabf.org; www.labfchicago.org; and www.fabf.org); provided, however, that the contents of these reports and of the Retirement Funds' websites are not incorporated herein by such reference.

The Retirement Funds typically release their Actuarial Valuations in the April or May following the close of their respective fiscal years on December 31. None of the Retirement Funds has released its Actuarial Valuations for the fiscal year ended December 31, 2016.

Background Information Regarding the Retirement Funds

General

Each of the Retirement Funds is a single-employer, defined-benefit public employee retirement system. "Single-employer" refers to the fact that there is a single plan sponsor, in this case, the City. "Defined-benefit" refers to the fact that the Retirement Funds pay a periodic benefit to employees upon retirement and survivors in a fixed amount determined at the time of retirement. The amount of the periodic benefit is generally determined on the basis of service credits and salary. Eligible employees receive the defined benefit on a periodic basis for life, along with certain benefits to spouses and children that survive the death of the employee.

To fund the benefits to be paid by a defined-benefit pension plan, both employees and employers make contributions to the plan. Generally, in a defined-benefit pension plan, employees contribute a fixed percentage of their annual salary and employers contribute the additional amounts required (which amounts may be determined pursuant to statute, as in the case of the City), when combined with the investment earnings on plan assets, to pay the benefits under the pension plan. See TABLE 1—"MEMBERSHIP," "*—Determination of Employee Contributions*" and "*—Determination of City's Contributions*" below.

The benefits available under the Retirement Funds accrue throughout the time an employee is employed by the City. Although the benefits accrue during employment, certain age and service requirements must be achieved by an employee to generate a retirement or survivor's periodic defined benefit payment upon retirement or termination from the City. The Retirement Funds also provide certain disability benefits and, until the later of the date on which the City no longer provides a health care plan for the annuitants or December 31, 2016, retiree healthcare benefits to eligible members. See "—Payment for Other Post-Employment Benefits" below.

Section 5 of Article XIII of the Illinois Constitution (the "*Pension Clause*") provides as follows:

> "Membership in any pension retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired."

The members of the Retirement Funds are divided into a "two-tier" benefit system with less generous benefits for employees who become members of Retirement Funds on or after January 1, 2011 ("*Tier II Members*") as compared to those provided to employees prior to such date. As described under "*—Future Legislation Regarding MEABF and LABF*," the provisions of SB 2437 (as hereinafter defined) would create, if enacted into law, a third sub-group of Retirement Fund members, referred to herein as "*New Members*," comprised of MEABF and LABF members hired after January 1, 2017.

References in this Section to "member" are references to the active, inactive and retired employees of the City and their beneficiaries, the active, inactive and retired employees of the Retirement Funds participating in the Retirement Funds and their beneficiaries, and with regard to MEABF, certain employees of the Board of Education who are members of MEABF as described below, and their beneficiaries.

References in this Section to the term "contribution" when used in reference to any year refers to the actual payment of moneys by the City to a Retirement Fund. References to the term "levy year" reflect the year in which property tax levies, such as the Pension Levy (as hereinafter defined), are filed with the Cook and DuPage County Clerks (the same being the counties in which the City is located). Such levies will be collected by the Counties, remitted to the City and contributed to the Retirement Funds in the calendar year following the levy year.

The Retirement Funds

Municipal Employees' Annuity and Benefit Fund of Chicago. MEABF is established by and administered under Article 8 of the Pension Code. MEABF provides age and service retirement benefits, survivor benefits and disability benefits to all eligible members. MEABF is administered under the direction of a 5-member board of trustees (the "*MEABF Board*"), whose members are responsible for managing and administering MEABF for the benefit of its members. In addition to City and Retirement Fund employees, former employees and survivors, MEABF's membership includes non-instructional employees of the Board of Education ("*CBOE Employees*"). With respect to MEABF, the terms "employee" and "member" include the CBOE Employees. The CBOE Employees account for almost half of MEABF's membership. The Mayor of the City, the City Clerk, the City Treasurer, and members of the City Council may participate in MEABF if such persons file, while in office, written application to the MEABF Board.

Policemen's Annuity and Benefit Fund of Chicago. PABF is established by and administered under Article 5 of the Pension Code. PABF provides retirement and disability benefits to the police officers of the City, their surviving spouses and their children. PABF is administered by an 8-member board of trustees (the "*PABF Board*"). Members of the PABF Board are charged with administering the PABF under the Pension Code for the benefit of its members.

Firemen's Annuity and Benefit Fund of Chicago. FABF is established by and administered under Article 6 of the Pension Code. FABF provides retirement and disability benefits to fire service employees and their survivors. FABF is governed by an 8-member board of trustees (the "*FABF Board*"). Members of the FABF Board are statutorily mandated to discharge their duties solely in the interest of FABF's members.

Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago. LABF is established by and administered under Article 11 of the Pension Code. LABF provides retirement and disability benefits for employees of the City and the Board of Education who are employed in a title recognized by the City as labor service and for the survivors of such employees. LABF is governed by an 8-member board of trustees (the "*LABF Board*" and, together with the MEABF Board, the PABF Board and the FABF Board, the "*Retirement Fund Boards*"). Members of the LABF Board are statutorily mandated to discharge their duties solely in the interest of LABF's members.

The membership of the Retirement Funds as of December 31, 2015, was as follows:

TABLE 1 – MEMBERSHIP

Retirement Fund	Active Members	Inactive/ Entitled to Benefits	Retirees and Beneficiaries	Totals
MEABF	30,683	16,268	24,964	71,915
PABF	12,061	637	13,210	25,908
FABF	4,735	76	4,729	9,540
LABF	2,816	1,455	3,846	8,117
Total	50,295	18,436	46,749	115,480

Source: CAFRs of MEABF, PABF and LABF as of December 31, 2015, and the Actuarial Valuation of FABF as of December 31, 2015.

Each Retirement Fund Board is a fiduciary of its respective Retirement Fund and is authorized to perform all functions necessary for operation of such Retirement Fund. The Pension Code authorizes each Retirement Fund Board to make certain decisions, including decisions regarding the investment of funds, the management of assets, the disbursement of benefits, and the hiring of staff, financial advisors and asset managers. Each Retirement Fund Board is authorized to promulgate rules and procedures regarding the administration of benefits and other matters in accordance with the Illinois Administrative Procedure Act, and decisions awarding, limiting, or denying benefits are subject to the Illinois Administrative Procedure Act. The Pension Code provides that the expenses incurred in connection with the administration of the Retirement Funds are not construed to be debt imposed upon the City. Such expenses are the obligation of the Retirement Funds exclusively, as separate bodies politic and corporate.

Investments

Each Retirement Fund Board manages the investments of its respective Retirement Fund. State law regulates the types of investments in which the Retirement Funds' assets may be invested. Furthermore, the Retirement Fund Boards invest the Retirement Funds' assets in accordance with the prudent person rule, which requires members of the Retirement Fund Boards, who are fiduciaries of the Retirement Funds, to discharge their duties with the care, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in a similar situation.

In carrying out their investment duty, the Retirement Fund Boards may appoint and review investment managers as fiduciaries to manage the investment assets of the Retirement Funds. Such investment managers are granted discretionary authority to manage the Retirement Funds' assets. Additional information regarding the Retirement Funds' investments and investment management may be found on the Retirement Funds' websites; provided, however, that the contents of such websites are not incorporated into this Section by such reference.

Table 2 provides information on the investment returns experienced by each of the Retirement Funds.

TABLE 2 – INVESTMENT RATES OF RETURN 2006-2015

Fiscal Year	MEABF	FABF	LABF	PABF
2006	12.7%	14.0%	11.2%	12.1%
2007	7.3	11.0	8.0	8.8
2008	(28.7)	(33.8)	(29.2)	(27.8)
2009	19.6	23.7	21.5	21.9
2010	14.2	17.7	15.5	12.7
2011	0.1	(2.0)	(0.3)	0.8
2012	12.8	16.2	14.6	12.4
2013	16.1	19.5	15.8	14.5
2014	4.7	2.9	3.8	6.2
2015	1.8	0.7	(1.5)	(0.4)
Assumed Rate(1)	7.5	7.5	7.5	7.5

Source: For FABF, the audited financial statements of FABF for fiscal years 2006-2012 and the Actuarial Valuations of FABF for fiscal years 2013, 2014 and 2015. For MEABF, the Actuarial Valuation of MEABF as of December 31, 2015. For LABF and PABF, the respective CAFRs of such Retirement Funds for the fiscal years 2006-2015.

(1) Reflects the assumed rate of return in the respective Actuarial Valuations of the Retirement Funds measured as of December 31, 2015, as discussed in further detail under "Actuarial Assumptions—Assumed Investment Rate of Return" below.

Determination of Employee Contributions

Currently, employees are required to contribute to their respective Retirement Fund as set forth in the Pension Code.

MEABF employees currently contribute 8.5 percent of their salary to MEABF (consisting of a 6.5 percent contribution for employee benefits, a 1.5 percent contribution for spouse benefits, and a 0.5 percent contribution for an annuity increase benefit).

PABF employees currently contribute 9.0 percent of their salary to PABF (consisting of a 7.0 percent contribution for employee benefits, a 1.5 percent contribution for spouse benefits and a 0.5 percent contribution for an annuity increase benefit).

FABF employees currently contribute 9.125 percent of their salary to FABF (consisting of a 7.125 percent contribution for employee benefits, a 1.5 percent contribution for spouse benefits, a 0.375 percent contribution for an annuity increase benefit and a 0.125% contribution for disability benefits).

LABF employees currently contribute 8.5 percent of their salary to LABF (consisting of a 6.5 percent contribution for employee benefits, a 1.5 percent contribution for spouse benefits, and a 0.5 percent contribution for an annuity increase benefit).

For each Retirement Fund, if an employee leaves without qualifying for an annuity, accumulated employee contributions are refunded.

As described under "—*Future Legislation Regarding MEABF and LABF*," SB 2437 would modify contributions for certain MEABF and LABF employees if enacted into law.

Determination of City's Contributions

The provisions of the Pension Code mandate the amounts the City must contribute to the Retirement Funds, and the City is bound to contribute, and historically has contributed, the amounts required by the Pension Code.

The Pension Code provides that each Retirement Fund Board must annually certify to the City Council a determination of the required City contribution to such Retirement Fund. In making its request for the City's annual contribution, each Retirement Fund, acting through its Retirement Fund Board, annually approves and then submits a resolution to the City Council requesting that the City Council levy for a particular contribution amount. The City has generally paid the amounts so requested.*

Prior to the contribution to be made to the Retirement Funds in 2016, the City contributed to all four Retirement Funds an amount determined by a funding formula which required the City to contribute a statutory multiple (the "*Multiplier*") of the amount contributed to a Retirement Fund by the employees who are members in that Retirement Fund two years prior to the year in which the property tax used to generate the contribution was levied ("*Multiplier Funding*"). With respect to the City's 2015 contribution, the Multiplier for each Retirement Fund was as follows: 1.25 for MEABF; 2.00 for PABF; 2.26 for FABF; and 1.00 for LABF. The contribution amounts derived from this formula do not relate to, and in recent years have been substantially less than, the contribution amounts that would typically result from an actuarial determination of the contribution.

As a result of the Illinois Supreme Court's determination that P.A. 98-641 (as hereinafter defined) is unconstitutional, the City will continue to contribute to MEABF and LABF pursuant to this statutory Multiplier Funding formula until such time as the Pension Code provisions related to such contributions are modified by the General Assembly. See "*—Future Legislation Regarding MEABF and LABF*" herein.

With respect to PABF and FABF, the Pension Code was modified by the General Assembly in 2010 with the adoption of Public Act 96-1495 ("*P.A. 96-1495*"), which, among other things, required that, beginning in 2016, the City's contributions each year for PABF and FABF equal the amount necessary to achieve a Funded Ratio (as defined and described below) of 90 percent in PABF and FABF by the end of fiscal year 2040. The General Assembly subsequently modified P.A. 96-1495 with the enactment of Public Act 99-0506 ("*P.A. 99-506*"), which modified the employer contribution provisions of P.A. 96-1495 by extending the year to which the unfunded liabilities of PABF and FABF are amortized, on a level percentage of payroll basis, to a 90 percent Funded Ratio from 2040 to 2055 and instituting a phase-in period (the "*Phase-in Period*") during 2016-2020 to allow for a more gradual increase in its required contributions than originally required by P.A. 96-1495 (the "*P.A. 99-506 Funding Plan*"). When compared to the provisions of P.A. 96-1495 and when considered independently of other factors, the P.A. 99-506 Funding Plan will increase the unfunded liabilities and decrease the Funded Ratios of PABF and FABF because it (i) imposes the Phase-in Period, which provides for reduced contributions compared to P.A. 96-1495 in each of contribution years 2016 through 2020 and (ii) increases the period of time over which the unfunded liabilities of PABF and FABF are amortized. As described in further detail under "*—City's Contributions to the Retirement Funds for 2016 and 2017*" herein, the City increased its property tax levy for the purpose of making increased pension contributions to PABF and FABF in 2016 and 2017.

* In past years, FABF has requested a contribution from the City which the City determined exceeded the amount required by the Pension Code. The City has indicated that it will not contribute amounts in excess of the amount the City has determined to be the statutory contribution requirement for the City to FABF in such prior years or in future years.

During the Phase-in Period, the City will contribute the specific amounts set forth in the Pension Code to PABF and FABF in the aggregate amounts as follows: in payment year 2016, $619 million; in payment year 2017, $672 million; in payment year 2018, $727 million; in payment year 2019, $792 million; and in payment year 2020, $824 million.

The City's contributions to the Retirement Funds have historically been made primarily from the proceeds of an annual levy of property taxes for each of the Retirement Funds (collectively, the "*Pension Levy*") by the City solely for such purpose, as provided by the Pension Code. However, the Pension Code allows the City to use any other legally available funds (collectively, the "Other Available Funds," as described below) in lieu of the Pension Levy to make its contributions to the Retirement Funds. The amount of the Pension Levy, like any City property tax levy, must be approved by the City Council. The Pension Levy is exclusive of and in addition to the amount of property taxes which the City levies for other purposes.

If Other Available Funds are being utilized to pay a portion of the City's contributions, such funds are to be deposited with the City Treasurer to be used for the same purpose as the Pension Levy. The City's practice historically has been to use a portion of the PPRT revenue to pay a portion of the City's contributions. At present, the portion of the City's contribution made from Other Available Funds consists of several revenue sources, including (i) general corporate fund revenues, and (ii) revenues of the enterprise systems (with respect to the portion of the contribution allocable to the employees of the respective enterprise systems).

The City's contributions to the Retirement Funds in accordance with the Pension Code have not been sufficient, when combined with employee contributions and investment returns, to offset increases in the Retirement Funds' liabilities, which has contributed to the significant underfunding of the Retirement Funds. Moreover, the contributions to the Retirement Funds in accordance with the Pension Code have had the effect of deferring the funding of the Retirement Funds' liabilities, which increases the costs of such liabilities and the associated financial risks, including the risk that each Retirement Fund will not be able to pay its obligations when due. Furthermore, increases in the City's contributions to the Retirement Funds caused the City to increase its revenues and may require the City to further increase its revenues, reduce its expenditures, or some combination thereof.

<u>City's Contributions to the Retirement Funds for 2016 and 2017</u>

On October 28, 2015, the City Council approved its supplemental fiscal year 2015 budget (the "*Supplemental Budget*") and its fiscal year 2016 budget (the "*FY 2016 Budget*"). The Supplemental Budget increased the contribution to be paid to PABF and FABF by $328 million, which increased the overall 2016 contribution to $886 million (the "*2016 Contribution*"). The FY 2016 Budget includes a contribution to be paid to the Retirement Funds in calendar year 2017 of $978 million, which includes an additional increase in the contribution for PABF and FABF (the "*2017 Contribution*"). The 2016 Contribution and the 2017 Contribution each assume the effectiveness of P.A. 98-641.

The City's budget for fiscal year 2015, as amended by the Supplemental Budget (together the "*Amended FY 2015 Budget*"), increases the City's property tax levy as the primary method of funding the increased contributions required to be made to PABF and FABF in calendar year 2016. Such property tax increase has been adopted by the City Council.

Public Act 098-0641 ("*P.A. 98-641*"), which would have modified the formula for calculating the City's required contributions to MEABF and LABF, was determined to be unconstitutional by the Illinois Supreme Court. With respect to the 2016 Contribution and the 2017 Contribution specifically, P.A. 98-641 would have increased the Multiplier to be used to determine the amount of such contributions. As a result of P.A. 98-641 being invalidated, however, the Multiplier with respect to the 2016 Contribution and the 2017 Contribution will revert to the Multiplier under the Pension Code provisions in effect prior to the enactment of P.A. 98-641 (the "*Prior Law Multiplier*"). Therefore, because the Amended FY 2015 Budget and the FY 2016 Budget assume the effectiveness of P.A. 98-641, the 2016 Contribution and the 2017 Contribution include contributions to LABF and MEABF in excess of the contributions currently required by the Pension Code calculated pursuant to the Prior Law Multiplier.

The City has reached agreements with certain of its labor unions which would, if enacted into law, modify the formula by which the City's contributions to MEABF and LABF are calculated. Such modifications would require the City to contribute, following a phase-in period ending in 2022, the actuarially determined amount necessary to reach a Funded Ratio of 90 percent by 2057. See "*—Future Legislation Regarding MEABF and LABF*," herein.

Actuarial Valuation

General

The Pension Code requires that the Retirement Funds annually submit to the City Council a report containing a detailed statement of the affairs of such Retirement Fund, its income and expenditures, and assets and liabilities, which consists of the Actuarial Valuation. With respect to the Retirement Funds, the Actuarial Valuation measures the financial position of a Retirement Fund, determines the amount to be contributed by the City to such Retirement Fund pursuant to the statutory requirements described above, and produces certain information mandated by the financial reporting standards issued by the GASB, as described below.

In producing the Actuarial Valuations, the Retirement Funds' actuaries use demographic data (including employee age, salary and service credits), economic assumptions (including estimated future salary and interest rates), and decrement assumptions (including employee turnover, mortality and retirement rates) to produce the information required by the Prior GASB Standards or the New GASB Standards, each as hereinafter defined. The Retirement Funds' Actuarial Valuations are publicly available and may be obtained from the Retirement Funds. See "*—Source Information*" above. A description of the statistics generated by the Retirement Funds' actuaries in the Actuarial Valuations follows in the next few paragraphs. This information was derived from the Source Information.

GASB, which is part of a private non-profit corporation known as the Financial Accounting Foundation, promulgates standards regarding accounting and financial reporting for governmental entities. These principles have no legal effect and do not impose any legal liability on the City. The references to GASB principles in this Section do not suggest and should not be construed to suggest otherwise.

Prior GASB Standards

For the fiscal years discussed in this Section prior to and including December 31, 2013, the applicable GASB financial reporting standards were GASB Statement No. 25 ("*GASB 25*") and GASB Statement No. 27 ("*GASB 27*" and, together with GASB 25, the "*Prior GASB Standards*"). The Prior GASB Standards required the determination of the "Actuarially Required Contribution" (referred to in the Prior GASB Standards as the "*Annually Required Contribution*"), which was such pronouncement's method for calculating the annual amounts needed to fully fund the Retirement Funds. The Actuarially Required Contribution was a financial reporting requirement and not a funding requirement. The Prior GASB Standards also required the calculation of pension funding statistics such as the UAAL (as defined and described herein) and the Funded Ratio in the Actuarial Valuation. In addition, the Prior GASB

Standards allowed pension plans to prepare financial reports pursuant to a variety of approved actuarial methods, certain of which are described in "—*Actuarial Methods*" below.

As defined in GASB 25, the Actuarially Required Contribution consisted of two components: (1) that portion of the present value of pension plan benefits which is allocated to the valuation year by the actuarial cost method (as described in "—*Actuarial Methods*—Actuarial Accrued Liability" below), termed the "Normal Cost"; and (2) an amortized portion of any UAAL.

The "Actuarial Accrued Liability" was an estimate of the present value of the benefits each Retirement Fund must pay to members as a result of past employment and participation in such Retirement Fund. The Actuarial Accrued Liability was calculated by use of a variety of demographic and other data (such as employee age, salary and service credits) and various assumptions (such as estimated salary increases, interest rates, employee turnover, retirement date and age and mortality and disability rates). The "*Actuarial Value of Assets*" reflected the value of the investments and other assets held by each Retirement Fund. Various methods existed under the Prior GASB Standards for calculating the Actuarial Value of Assets and the Actuarial Accrued Liability. For a discussion of the methods and assumptions used to calculate the Retirement Funds' Actuarial Accrued Liability and Actuarial Value of Assets under GASB 25, see "—*Actuarial Methods*" and "—*Actuarial Assumptions*" below.

Any shortfall between the Actuarial Value of Assets and the Actuarial Accrued Liability was referred to as the "*Unfunded Actuarial Accrued Liability*" or "*UAAL*." The UAAL represented the present value of benefits attributed to past service that are in excess of plan assets. In addition, the actuary computed the "Funded Ratio," which was the Actuarial Value of Assets divided by the Actuarial Accrued Liability, expressed as a percentage. The Funded Ratio and the UAAL provide one way of measuring the financial health of a pension plan.

New GASB Standards

GASB 25 was replaced with GASB Statement No. 67 ("*GASB 67*") and GASB Statement No. 68 ("*GASB 68*" and, together with GASB 67, the "*New GASB Standards*") replaced GASB 27 beginning with the fiscal years ended December 31, 2014 and December 31, 2015, respectively. Unlike the Prior GASB Standards, the New GASB Standards do not establish approaches to funding pension plans. Instead, the New GASB Standards provide standards solely for financial reporting and accounting related to pension plans. The New GASB Standards require calculation and disclosure of a "*Net Pension Liability*," which is the difference between the actuarial present value of projected benefit payments that are attributed to past periods of employee service calculated pursuant to the methods and assumptions set forth in the New GASB Standards (referred to in such statements as the "*Total Pension Liability*") and the fair market value of the pension plan's assets (referred to as the "*Fiduciary Net Position*"). This concept is similar to the UAAL, which was calculated under the Prior GASB Standards, but most likely will differ from the UAAL on any calculation date because the Fiduciary Net Position is calculated at fair market value and because of the differences in the manner of calculating the Total Pension Liability as compared to the Actuarial Accrued Liability under the Prior GASB Standards.

Furthermore, the New GASB Standards employ a rate, referred to in such statements as the "*Discount Rate*," which is used to discount projected benefit payments to their actuarial present values. The Discount Rate may be a blended rate comprised of (1) a long-term expected rate of return on a Retirement Fund's investments (to the extent that such assets are projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate meeting certain specifications set forth in the New GASB Standards. Therefore, in certain cases in which the assets of a Retirement Fund are not expected to be sufficient to pay the projected benefits of such Retirement Fund, the Discount Rate calculated pursuant to the New GASB Standards may differ from the assumed investment rate of return used in reporting pursuant to the Prior GASB Standards.

Finally, the New GASB Standards require that the Net Pension Liability be disclosed in the notes to the financial statements of the pension system and that a proportionate share of the Net Pension Liability be recognized on the Statement of Financial Position of the employer. In addition, the New GASB Standards require an expense (the "*Pension Expense*") to be recognized on the income statement of the City. The recognition of the Net Pension Liability and the Pension Expense do not measure the manner in which a Retirement Fund is funded and therefore do not conflict with the various manners of funding the Retirement Funds described in this Section.

The provisions of the New GASB Standards have a significant effect on the City's financial statements due to the recognition of the Pension Expense on the City's income statement and the recognition of the Net Pension Liability on the City's balance sheet. Furthermore, as shown in TABLE 12—"SENSITIVITY OF NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE" below, the Discount Rate with respect to MEABF and LABF under the New GASB Standards is significantly lower than the 7.5% rate assumed by such Retirement Funds' actuaries because such Retirement Funds are projected to become insolvent in 2025 and 2027, respectively. See "*—Projection of Funded Status*" herein. As a result, the respective Net Pension Liability for such Retirement Funds is substantially larger than the UAAL for such Retirement Funds. However, because the City contributes to the Retirement Funds pursuant to the methods established in the Pension Code, the New GASB Statements will not impact the contributions made by the City. Changes to the amounts of the City's required contributions would require legislative action by the Illinois General Assembly.

<u>City's Contributions Not Related to GASB Standards</u>

The City's contributions to the Retirement Funds are not based on the contribution calculations promulgated by GASB for reporting purposes. Instead, the City's contributions are calculated pursuant to the formulas established in the Pension Code. See "*—Determination of City's Contributions*" above.

The methods for contributing to the Retirement Funds set forth in the Pension Code do not conform to the manner of funding established by the Prior GASB Standards, which was based on the Actuarially Required Contribution. The difference between the City's actual contributions and the Actuarially Required Contribution (as calculated by the Retirement Funds' actuaries) for fiscal years 2006-2014 is shown in TABLE 3—"INFORMATION REGARDING CITY'S CONTRIBUTIONS—AGGREGATED" below. Each Retirement Fund's Actuarially Required Contribution is equal to its Normal Cost plus an amortization of the Retirement Funds' UAAL over a 30-year period. MEABF, LABF and FABF amortize the UAAL on a level dollar basis, whereas PABF amortizes the UAAL on a level percent of payroll basis. Both methods of calculating the Actuarially Required Contribution were acceptable under the Prior GASB Standards.

Furthermore, beginning in 2021 following the expiration of the Phase-in Period, the City will contribute an actuarially determined amount to PABF and FABF, as opposed to the current, non-actuarial, Multiplier-based approach. The P.A. 99-506 Funding Plan differs from the manner of calculation required by the Prior GASB Standards for financial reporting purposes, primarily because the goal of such funding plan is to reach a Funded Ratio in the respective Retirement Funds of 90 percent whereas the Prior GASB Standards required the Retirement Funds to amortize the UAAL towards attainment of a 100 percent Funded Ratio.

The New GASB Standards do not require calculation of an Actuarially Required Contribution.

Table 3 provides information on the Actuarially Required Contribution, the City's actual contributions in accordance with the Pension Code and the percentage of the Actuarially Required Contribution made in each year.

TABLE 3 – INFORMATION REGARDING CITY'S CONTRIBUTIONS[1] – AGGREGATED

Fiscal Year	Actuarially Required Contribution	Actual Employer Contribution[2]	Percentage of Actuarially Required Contribution Contributed[3]
2006	$ 785,111	$394,899	50.3%
2007	865,776	395,483	45.7
2008	886,215	416,130	47.0
2009	990,381	423,929	42.8
2010	1,112,626	425,552	38.2
2011	1,321,823	416,693	31.5
2012	1,470,905	440,120	29.9
2013	1,695,278	442,970	26.1
2014	1,740,973	447,400	25.7
2015	N/A*	797,998	N/A*

Sources: Actuarial Valuations of the Retirement Funds as of December 31 of the years 2010 through 2014, the Fund CAFRs for the fiscal year ended December 31, 2010, the City CAFRs for the fiscal years ended December 31, 2011, December 31, 2012, and December 31, 2013 and, with respect to the actual employer contribution for fiscal year 2015, the City.

* Beginning in fiscal year 2015, the Actuarially Required Contribution is no longer calculated. The Actuarially Required Contribution was a requirement of the Prior GASB Standards and is not a disclosure item under the New GASB Standards.

(1) In thousands of dollars. Data is presented in the aggregate for the Retirement Funds and uses assumptions and methods employed by each of the Retirement Funds. For the data presented as of December 31, 2006, contribution information includes amounts related to other post-employment benefits. Beginning in 2007, as a result of a change in GASB standards, contribution information is presented exclusive of amounts related to other post-employment benefits.

(2) Includes the portion of the PPRT contributed to the Retirement Funds in each year.

(3) The estimated multipliers that would have been necessary for FABF, LABF and PABF to make the full Actuarially Required Contribution in 2014 were as follows: 7.98 for FABF; 4.87 for LABF; and 7.94 for PABF. The estimated multiplier that would have been necessary for MEABF to make the full Actuarially Required Contribution in 2014 has not been publicly disclosed, however the necessary contribution multiplier for 2013 was 4.52. Beginning in 2021 following the expiration of the Phase-in Period, the City's contributions to PABF and FABF will not be calculated in accordance with the Multiplier Funding system. See "—*Determination of City's Contributions*" above.

Actuarial Methods

The Retirement Funds' actuaries employ a variety of actuarial methods to arrive at the pension statistics required by the Prior GASB Standards and the New GASB Standards. Certain of these methods are discussed in the following sections.

<u>Actuarial Value of Assets</u>

Under the Prior GASB Standards, the Retirement Funds calculate their respective Actuarial Value of Assets by smoothing investment gains and losses over a period of five years, a method of valuation referred to as the "*Asset Smoothing Method.*" Under the Asset Smoothing Method, the Retirement Funds recognize in the current year 20 percent of the investment gain or loss realized in that year and each of the previous four years. The Asset Smoothing Method was an allowable method of calculating the Actuarial Value of Assets under the Prior GASB Standards.

The Asset Smoothing Method lessens the immediate impact of market fluctuations on the Actuarial Value of Assets, which is used to calculate the UAAL and the Funded Ratio, that may otherwise occur as a result of market volatility. However, asset smoothing delays recognition of gains and losses, thereby providing an Actuarial Value of Assets that differs from the market value of pension plan assets at the time of measurement. As a result, presenting the Actuarial Value of Assets as determined under the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes investment gains and losses annually.

As described above, under the New GASB Standards, the Fiduciary Net Position is equal to the fair market value of a pension plan's assets as of the date of determination. As such, the Asset Smoothing Method does not apply to the determination of the Fiduciary Net Position under the New GASB Standards.

Table 4 provides a comparison of the assets of the Retirement Funds (as aggregated) on a fair value basis and after application of the Asset Smoothing Method.

TABLE 4 – ACTUARIAL VALUE OF ASSETS VS. FAIR VALUE OF NET ASSETS – AGGREGATED(1)

Fiscal Year	Actuarial Value of Assets(2)	Fair Value of Net Assets	Actuarial Value as a Percentage of Fair Value
2006	$13,435,692	$14,164,347	94.9%
2007	14,254,816	14,595,514	97.7
2008	13,797,344	9,844,339	140.2
2009	13,051,349	10,876,846	120.0
2010	12,449,863	11,408,555	109.1
2011	11,521,138	10,536,135	109.4
2012	10,531,447	10,799,603	97.5
2013	10,513,564	11,261,254	93.4
2014	10,339,208	10,665,597	96.9
2015	10,391,269	10,084,136	103.0

Source: 2006 through 2010 data is from the Actuarial Valuations of the Retirement Funds as of December 31, 2010, and from the Retirement Fund CAFRs for the fiscal year ended December 31, 2010. Data from 2011 through 2015 is from the Actuarial Valuations of the Retirement Funds for the fiscal years 2011 through 2015.

(1) In thousands of dollars. Data is presented in the aggregate for the Retirement Funds.

(2) The Actuarial Value of Assets is calculated through use of the Asset Smoothing Method.

Actuarial Accrued Liability

As the final step in the calculation of actuarial liabilities, the actuary applies a cost method to allocate the total value of benefits to past, present and future periods of employee service. This allocation is accomplished by the development of the Actuarial Accrued Liability and the Normal Cost under the Prior GASB Standards and the Pension Code and the Total Pension Liability under the New GASB Standards. Currently, all of the Retirement Funds use the entry age normal actuarial cost method (the "*EAN Method*") with costs allocated on the basis of earnings. The EAN Method was an approved actuarial cost method under the Prior GASB Standards and is the only allowable actuarial cost method under the New GASB Standards.

Under the EAN Method, the present value of each employee's projected pension is assumed to be funded by annual installments equal to a level percentage of the employee's earnings for each year between entry age and assumed exit age. Each employee's Normal Cost, as calculated pursuant to the Prior GASB Standards, for the current year is equal to the portion of the value so determined, assigned to the current year. Therefore, the Normal Cost for the plan for the year is the sum of the Normal Costs of all employees.

The Actuarial Accrued Liability is the portion of the present value of benefits assigned by the cost method to years of service up to the valuation date, i.e., for past service. This value changes as the employee's salary changes and years of service increase, and as some employees leave and new employees are hired. Future Normal Cost is the portion of the present value of benefits assigned to future years of service and is assumed to be funded annually.

Actuarial Assumptions

The Actuarial Valuations of the Retirement Funds use a variety of assumptions in order to calculate the statistics required by the Prior GASB Standards and the New GASB Standards. Although several of the assumptions are the same across all of the Retirement Funds, each Retirement Fund determines, within actuarial standards, the assumptions to be used in its Actuarial Valuation unless a specific assumption is fixed by the Pension Code. No assurance can be given that any of the assumptions underlying the Actuarial Valuations will reflect the actual results experienced by the Retirement Funds. Variances between the assumptions and actual results may cause increases or decreases in the statistics calculated pursuant to the Prior GASB Standards or the New GASB Standards. Additional information on each Retirement Fund's actuarial assumptions is available in the respective 2015 Actuarial Valuation of the Retirement Funds. See "*—Source Information*" above.

The actuarial assumptions used by the Retirement Funds are determined by the individual Retirement Fund Boards upon the advice of the actuary for each Retirement Fund Board. The Retirement Funds periodically perform experience studies to evaluate the actuarial assumptions in use. The purpose of an experience study is to validate that the actuarial assumptions used in the Actuarial Valuation continue to reasonably estimate the actual experience of the pension plan or, if necessary, to develop recommendations for modifications to the actuarial assumptions to ensure their continuing appropriateness.

Assumed Investment Rate of Return

The Actuarial Valuations assume an investment rate of return on the assets in each Retirement Fund. The average long-term investment rates of return currently assumed by the Retirement Funds are described in Table 2 above. Due to the volatility of the marketplace, however, the actual rate of return earned by the Retirement Funds on their assets in any year may be higher or lower than the assumed rate. Changes in the Retirement Funds' assets as a result of market performance will lead to an increase or decrease in the UAAL and the Funded Ratio. As a result of the Retirement Funds' use of the Asset Smoothing Method, however, only a portion of these increases or decreases will be recognized in the current year, with the remaining gain or loss spread over the remaining four years. See "*—Actuarial Methods*—Actuarial Value of Assets" above.

The assumed investment rate of return is used by each Retirement Fund's actuary as the discount rate to determine the present value of future payments to such Retirement Fund's members. Such a determination is part of the actuary's process to develop the Actuarial Accrued Liability under the Prior GASB Standards. Reducing the assumed investment rate of return will, taken independently of other changes, produce a larger Actuarial Accrued Liability for each Retirement Fund. Furthermore, as discussed above, an increase in the Actuarial Accrued Liability will, taken independently, increase the UAAL, decrease the Funded Ratio and increase the Actuarially Required Contribution.

Under the New GASB Standards, each Retirement Fund's actuary will calculate the Discount Rate, as described under "—*Actuarial Valuation*" above, a reduction in which will, taken independently of other factors, produce a larger Total Pension Liability for each Retirement Fund. Information regarding the Discount Rate and the sensitivity of the Total Pension Liability to changes in the Discount Rate is provided below in Table 12.

The current investment rates of return assumed by each Retirement Funds are set forth in TABLE 2—"INVESTMENT RATES OF RETURN 2006-2015" above.

Changes to the assumed investment rate of return do not impact contributions by the City to Retirement Funds when such contributions are determined pursuant to the Multiplier Funding system, such as the City's contributions to MEABF and LABF, or when the amount of such contributions are specified in statute, such as the City's contributions to PABF and FABF during the Phase-in Period. Beginning in 2021 following the expiration of the Phase-in Period, when the City must contribute to PABF and FABF on an actuarial basis, decreases in the assumed investment rate of return with respect to PABF and FABF would, taken independently of other facts, increase the City's required contributions to such Retirement Funds because the UAAL of such Retirement Funds would increase as described above, and the P.A. 99-506 Funding Plan requires an amortization of the UAAL to reach a 90 percent funding target by 2055.

Funded Status of the Retirement Funds

In recent years, the City has contributed to the Retirement Funds the amounts determined by the City to be required by the Pension Code. Such contributions have been made from a combination of property tax revenues (through the Pension Levy), PPRT funds, General Fund revenues, and enterprise revenues.* However, these amounts have not been sufficient, when combined with employee contributions and investment returns, to offset increases in the liabilities of the Retirement Funds. Moreover, expenses related to the Health Plan (as defined below) are paid from the City's contributions, which has the effect of reducing the Actuarial Value of Assets and decreasing the Funded Ratio.

Furthermore, the income from all sources (including employee contributions, City contributions and investment earnings) to the Retirement Funds has been lower than the cash outlays of the Retirement Funds in some recent years. As a result, the Retirement Funds have liquidated investments and used assets of the Retirement Funds to satisfy these cash outlays. The use of investment earnings or assets of the Retirement Funds for these purposes reduces the amount of assets on hand to pay benefits in the future and prevents the Retirement Funds from recognizing the full benefits of compounding investment returns.

The following tables summarize the financial condition and the funding trends of the Retirement Funds.

* As discussed under "—*Determination of City's Contributions*" above, the City and FABF have disagreed over whether certain amounts are required under the Pension Code. In addition, pursuant to the Pension Code, the City did not make any contributions to LABF in fiscal years 2001 through 2006 because LABF had funds on hand in excess of its liabilities. The Pension Code provides that the City will cease to make contributions to LABF in such a situation. The City continued to make contributions to the other Retirement Funds during those years.

TABLE 5 – FINANCIAL CONDITION OF THE MEABF
FISCAL YEARS 2006-2015
($ IN THOUSANDS)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Beginning Net Position (Fair Value)	$ 6,356,888	$ 6,841,127	$ 7,009,523	$ 4,739,614	$ 5,166,225	$ 5,435,593	$ 5,053,248	$ 5,182,669	$ 5,421,677	$ 5,179,486
Income										
– Employee Contributions	129,466	132,442	137,749	130,981	133,300	132,596	130,266	131,532	129,972	131,428
– City Contributions	148,332	148,137	155,833	157,698	164,302	156,525	158,381	157,705	158,798	157,717
– Investment Income[1]	778,726	485,926	(1,947,576)	778,562	638,569	31,583	589,198	735,272	283,282	114,025
– Miscellaneous Income	–	–	–	–	24	–	–	–	–	–
Total	$ 1,056,524	$ 766,505	$ (1,653,994)	$ 1,067,241	$ 936,195	$ 320,705	$ 877,845	$ 1,024,509	$ 572,052	$ 403,170
Expenditures										
– Benefits and Refunds[2]	565,887	590,577	608,166	632,864	660,081	695,674	741,583	779,003	807,674	834,527
– Administration	6,398	7,532	7,749	7,766	6,745	7,375	6,841	6,499	6,568	6,701
Total	$ 572,285	$ 598,109	$ 615,915	$ 640,630	$ 666,826	$ 703,050	$ 748,425	$ 785,502	$ 814,242	$ 841,228
Ending Net Position (Fair Value)	$ 6,841,127	$ 7,009,523	$ 4,739,614	$ 5,166,225	$ 5,435,593	$ 5,053,248	$ 5,182,669	$ 5,421,677	$ 5,179,486	$ 4,741,428
Actuarial Value of Assets[3]	$ 6,509,146	$ 6,890,463	$ 6,669,502	$ 6,295,788	$ 6,003,390	$ 5,552,291	$ 5,073,320	$ 5,114,208	$ 5,039,297	$ 4,815,127
Actuarial Accrued Liabilities	9,476,118	9,968,747	10,383,158	10,830,119	11,828,666	12,292,930	13,475,376	13,828,920	12,307,094	14,647,115
UAAL (Fair Value)[4]	2,634,991	2,959,224	5,643,544	5,663,894	6,393,073	7,239,681	8,292,706	8,407,244	7,127,608	9,905,687
UAAL (Actuarial Value)[3]	2,966,972	3,078,284	3,713,656	4,534,331	5,825,276	6,740,639	8,402,057	8,714,712	7,267,797	9,831,988
Funded Ratio (Fair Value)[4]	72.2%	70.3%	45.6%	47.7%	46.0%	41.1%	38.5%	39.2%	42.1%	32.37%
Funded Ratio (Actuarial Value)[3]	68.7%	69.1%	64.2%	58.1%	50.8%	45.2%	37.6%	37.0%	40.9%	32.87%

Source: 2006 through 2010 data is from the Actuarial Valuation of MEABF as of December 31, 2010, and the CAFR of MEABF for the fiscal year ended December 31, 2010. 2011 through 2015 data is from the Actuarial Valuations of MEABF for the fiscal years 2011 through 2015. Table may not add due to rounding.

(1) Investment income is shown net of fees and expenses.
(2) Beginning in fiscal year 2007, includes expenses related to other post-employment benefits. See "—Payment for Other Post-Employment Benefits" below.
(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "—*Actuarial Methods*—Actuarial Value of Assets" above.
(4) Calculated using net assets.

TABLE 6 – FINANCIAL CONDITION OF THE PABF
FISCAL YEARS 2006-2015
($ IN THOUSANDS)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Beginning Net Position (Fair Value)	$ 3,954,837	$ 4,192,076	$ 4,333,234	$ 3,000,998	$ 3,326,050	$ 3,439,669	$ 3,175,509	$ 3,213,433	$3,265,199	$ 3,062,013
Income										
– Employee Contributions	91,965	93,300	93,207	95,614	108,402	98,222	95,892	93,329	95,676	107,626
– City Contributions	157,689	178,678	181,526	180,511	183,835	183,522	207,228	188,889	187,075	582,278
– Investment Income(1)	447,275	349,914	(1,104,909)	567,315	369,558	33,656	353,176	415,294	181,901	-5,334
– Miscellaneous Income	1,070	28	160	799	20	104	423	479	740	3092
Total	$ 697,999	$ 621,920	$ (830,016)	$ 844,239	$ 661,815	$ 315,504	$ 656,719	$ 697,991	$ 465,392	$ 687,662
Expenditures										
– Benefits and Refunds(2)	458,060	477,685	497,721	514,883	544,272	575,305	613,907	641,926	664,338	686,664
– Administration	2,700	3,077	4,499	4,304	3,925	4,359	4,888	4,298	4,241	4,063
Total	$ 460,760	$ 480,762	$ 502,220	$ 519,187	$ 548,197	$ 579,664	$ 618,795	$ 646,224	$ 668,579	$ 690,727
Ending Net Position (Fair Value)	$ 4,192,076	$ 4,333,234	$ 3,000,998	$ 3,326,050	$ 3,439,669	$ 3,175,509	$ 3,213,433	$ 3,265,199	$3,062,013	$ 3,058,948
Actuarial Value of Assets(3)	$ 3,997,991	$ 4,231,682	$ 4,093,720	$ 3,884,978	$ 3,718,955	$ 3,444,690	$ 3,148,930	$ 3,053,882	$ 2,954,319	$ 3,186,424
Actuarial Accrued Liabilities	7,939,561	8,220,353	8,482,574	8,736,102	9,210,056	9,522,395	10,051,827	10,282,339	11,334,799	11,651,188
UAAL (Fair Value)(4)	3,747,485	3,887,119	5,481,576	5,410,052	5,770,387	6,346,886	6,839,394	7,017,139	8,272,786	8,592,240
UAAL (Actuarial Value)(3)	3,941,570	3,988,671	4,388,854	4,851,124	5,491,101	6,077,705	6,902,898	7,228,457	8,380,480	8,464,764
Funded Ratio (Fair Value)(4)	52.8%	52.7%	35.4%	38.1%	37.3%	33.4%	32.0%	31.8%	27.0%	26.3%
Funded Ratio (Actuarial Value)(3)	50.4%	51.5%	48.3%	44.5%	40.4%	36.2%	31.3%	29.7%	26.1%	27.4%

Source: 2006 through 2010 data is from the Actuarial Valuation of PABF as of December 31, 2010, and the CAFR of PABF for the fiscal year ended December 31, 2010. Data from 2011 through 2015 is from the Actuarial Valuations of PABF for the fiscal years 2011 through 2015. Table may not add due to rounding.

(1) Investment income is shown net of fees and expenses.
(2) Beginning in fiscal year 2008, includes expenses related to other post-employment benefits. See "—Payment for Other Post-Employment Benefits" below.
(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "—*Actuarial Methods*—Actuarial Value of Assets" above.
(4) Calculated using net assets.

TABLE 7 – FINANCIAL CONDITION OF THE FABF
FISCAL YEARS 2006-2015
($ IN THOUSANDS)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Beginning Net Position (Fair Value)	$ 1,274,659	$ 1,391,484	$ 1,469,455	$ 914,193	$ 1,051,643	$ 1,106,078	$ 993,774	$ 1,032,423	$1,116,705	$1,036,006
Income										
– Employee Contributions	44,222	41,120	40,480	41,605	41,730	51,918	56,718	42,520	48,056	46,554
– City Contributions	78,971	74,271	83,744	91,857	83,592	85,498	84,144	106,220	109,805	238,486
– Investment Income[1]	174,406	148,806	(484,093)	208,537	150,835	(22,434)	135,203	190,536	30,868	7,596
– Miscellaneous Income	87	162	107	36	30	17	8	(60)	7	7
Total	$ 297,686	$ 264,359	$ (359,762)	$ 342,035	$ 276,187	$ 114,999	$ 276,073	$ 339,216	188,736	292,643
Expenditures										
– Benefits and Refunds[2]	178,214	183,304	192,644	201,146	217,565	223,580	233,840	251,819	266,365	280,398
– Administration	2,647	3,084	2,856	3,439	4,187	3,723	3,584	3,115	3,069	3,150
Total	$ 180,861	$ 186,388	$ 195,500	$ 204,585	$ 221,752	$ 227,303	$ 237,424	$ 254,934	269,434	283,548
Ending Net Position (Fair Value)	$ 1,391,484	$ 1,469,455	$ 914,193	$ 1,051,643	$ 1,106,079	$ 993,774	$ 1,032,423	$ 1,116,705	$1,036,006	$1,045,101
Actuarial Value of Assets[3]	$ 1,264,497	$ 1,374,960	$ 1,335,695	$ 1,269,231	$ 1,198,114	$ 1,101,742	$ 993,284	$ 991,213	$ 988,141	$1,081,042
Actuarial Accrued Liabilities	3,088,124	3,215,874	3,311,269	3,428,838	3,655,026	3,851,919	4,020,138	4,128,735	4,338,593	4,666,801
UAAL (Fair Value)[4]	1,696,640	1,746,419	2,397,076	2,377,195	2,548,947	2,858,145	2,987,715	3,012,030	3,302,587	3,621,700
UAAL (Actuarial Value)[3]	1,823,627	1,840,914	1,975,574	2,159,607	2,456,912	2,750,177	3,026,854	3,137,522	3,350,452	3,585,759
Funded Ratio (Fair Value)[4]	45.1%	45.7%	27.6%	30.7%	30.3%	25.8%	25.7%	27.0%	23.9%	22.39%
Funded Ratio (Actuarial Value)[3]	40.9%	42.8%	40.3%	37.0%	32.8%	28.6%	24.7%	24.0%	22.8%	23.16%

Source: 2006 through 2010 data is from the Actuarial Valuation of FABF as of December 31, 2010, and the CAFR of FABF for the fiscal year ended December 31, 2010. Data from 2011 through 2015 is from the Actuarial Valuations of FABF for the fiscal years 2011 through 2015. Table may not add due to rounding.

(1) Investment income is shown net of fees and expenses.
(2) Includes expenses related to other post-employment benefits. See "—Payment for Other Post-Employment Benefits" below.
(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "—*Actuarial Methods*—Actuarial Value of Assets" above.
(4) Calculated using net assets.

TABLE 8 – FINANCIAL CONDITION OF THE LABF FISCAL YEARS 2006-2015 ($ IN THOUSANDS)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Beginning Net Position (Fair Value)	$ 1,659,061	$ 1,739,660	$ 1,782,818	$ 1,188,581	$ 1,332,928	$ 1,427,214	$ 1,313,604	$ 1,371,077	$1,457,673	$1,388,092
Income										
– Employee Contributions	18,791	18,413	19,419	17,538	16,320	16,069	16,559	16,393	16,359	16,844
– City Contributions	106	15,459	17,580	17,190	17,939	15,359	14,415	14,101	14,520	14,567
– Investment Income[1]	174,536	125,205	(510,463)	237,102	193,187	(4,511)	173,460	207,344	53,393	(22,318)
– Miscellaneous Income	–	–	–	–	–	–	–	–	–	–
Total	$ 193,433	$ 159,077	$ (473,464)	$ 271,830	$ 227,446	$ 26,917	$ 204,434	$ 237,838	$84,272	$ 9,097
Expenditures										
– Benefits and Refunds[2]	110,003	112,567	117,147	123,817	129,297	136,533	142,215	147,108	150,018	154,683
– Administration	2,831	3,352	3,626	3,665	3,864	3,994	4,746	4,134	3,835	3,844
Total	$ 112,834	$ 115,919	$ 120,773	$ 127,482	$ 133,161	$ 140,527	$ 146,961	$ 151,242	$153,853	$ 158,528
Ending Net Position (Fair Value)	$ 1,739,660	$ 1,782,818	$ 1,188,581	$ 1,332,928	$ 1,427,214	$ 1,313,604	$ 1,371,077	$ 1,457,673	$1,388,092	$1,238,657
Actuarial Value of Assets[3]	$ 1,664,058	$ 1,757,711	$ 1,698,427	$ 1,601,352	$ 1,529,404	$ 1,422,414	$ 1,315,914	$ 1,354,261	$1,357,451	$1,308,676
Actuarial Accrued Liabilities	1,767,682	1,808,295	1,915,324	1,975,749	2,030,025	2,152,854	2,336,189	2,383,499	2,107,110	2,467,746
UAAL (Fair Value)[4]	28,022	25,477	726,743	642,821	602,811	839,250	965,112	925,826	719,018	1,231,222
UAAL (Actuarial Value)[3]	103,624	50,584	216,897	374,397	500,621	730,440	1,020,276	1,029,238	749,659	1,159,070
Funded Ratio (Fair Value)[4]	98.4%	98.6%	62.1%	67.5%	70.3%	61.0%	58.7%	61.2%	65.9%	50.2%
Funded Ratio (Actuarial Value)[3]	94.1%	97.2%	88.7%	81.1%	75.3%	66.1%	56.3%	56.8%	64.4%	53.0%

Source: 2006 through 2010 data is from the Actuarial Valuation of LABF as of December 31, 2010, and the CAFR of LABF for the fiscal year ended December 31, 2010. Data from 2011 through 2015 is from the Actuarial Valuations of LABF for the fiscal years 2011 through 2015. Table may not add due to rounding.

(1) Investment income is shown net of fees and expenses.
(2) Beginning in fiscal year 2008, includes expenses related to other post-employment benefits. See "—Payment for Other Post-Employment Benefits" below.
(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "—*Actuarial Methods*—Actuarial Value of Assets" above.
(4) Calculated using net assets.

TABLE 9 – FINANCIAL CONDITION OF THE RETIREMENT FUNDS COMBINED
FISCAL YEARS 2006-2015
($ IN THOUSANDS)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Beginning Net Position (Fair Value)	$13,245,445	$14,164,347	$14,595,030	$9,843,386	$10,876,847	$11,408,554	$10,536,135	$10,799,602	$11,261,254	$10,665,598
Income										
– Employee Contributions	284,444	285,275	290,855	285,738	299,752	298,805	299,435	283,774	290,063	302,452
– City Contributions	385,098	416,545	438,683	447,256	449,668	440,904	464,168	466,915	470,198	993,048
– Investment Income[1]	1,574,943	1,109,851	-4,047,041	1,791,516	1,352,149	38,294	1,251,037	1,548,446	549,444	93,969
- Miscellaneous Income	1,157	190	267	835	74	121	431	419	747	3,099
Total	$2,245,642	$1,811,861	-$3,317,236	$2,525,345	$2,101,643	$778,124	$2,015,071	$2,299,554	$1,310,452	$1,392,568
Expenditures										
- Benefits and Refunds[2]	1,312,164	1,364,133	1,415,678	1,472,710	1,551,215	1,631,092	1,731,545	1,819,856	1,888,395	1,956,272
– Administration	14,576	17,045	18,730	19,174	18,721	19,451	20,059	18,046	17,713	17,758
Total	$1,326,740	$1,381,178	$1,434,408	$1,491,884	$1,569,936	$1,650,543	$1,751,604	$1,837,902	$1,906,108	$1,974,030
Ending Net Position (Fair Value)	$14,164,347	$14,595,030	$9,843,386	$10,876,847	$11,408,554	$10,536,135	$10,799,602	$11,261,254	$10,665,598	$10,084,136
Actuarial Value of Assets[3]	13,435,692	14,254,816	13,797,344	13,051,349	12,449,863	11,521,137	10,531,448	10,513,564	10,339,208	10,391,269
Actuarial Accrued Liabilities	22,271,485	23,213,269	24,092,325	24,970,808	26,723,773	27,820,098	29,883,530	30,623,493	30,087,596	33,432,850
UAAL (Fair Value)[4]	8,107,138	8,618,239	14,248,939	14,093,961	15,315,219	17,283,963	19,083,928	19,362,239	19,421,998	23,348,714
UAAL (Actuarial Value)[3]	8,835,793	8,958,453	10,294,981	11,919,459	14,273,910	16,298,961	19,352,082	20,109,929	19,748,388	23,041,581
Funded Ratio (Fair Value)[4]	63.6%	62.9%	40.9%	43.6%	42.7%	37.9%	36.1%	36.8%	35.4%	30.2%
Funded Ratio (Actuarial Value)[3]	60.3%	61.4%	57.3%	52.3%	46.6%	41.4%	35.2%	34.3%	34.4%	31.1%

Source: 2006 through 2010 data is from the Actuarial Valuations of the Retirement Funds as of December 31, 2010, and the CAFRs of the Retirement Funds for the fiscal year ended December 31, 2010. Data from 2011 through 2015 is from the Actuarial Valuations of the Retirement Funds for the fiscal years 2011 through 2015. Table may not add due to rounding.

(1) Investment income is shown net of fees and expenses.

(2) Includes expenses related to other post-employment benefits beginning in each of the fiscal years as shown in Footnote 2 in Tables 6 through 9 herein for each respective Retirement Fund. See "—Payment for Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "—*Actuarial Methods*—Actuarial Value of Assets" above.

(4) Calculated using net assets.

TABLE 10 – SCHEDULE OF FUNDING PROGRESS – COMBINED FOR THE RETIREMENT FUNDS FISCAL YEARS 2006-2015 ($ IN THOUSANDS)

Fiscal Year	Actuarial Accrued Liability(1)	Actuarial Value of Assets(2)	Fair Value of Net Assets	UAAL (Actuarial)(3)	UAAL (Fair Value)(4)	Funded Ratio (Actuarial)(3)	Funded Ratio (Fair Value)(4)	Payroll	UAAL to Payroll (Actuarial)(3)	UAAL to Payroll (Fair Value)(4)
2006	$22,271,485	$13,435,692	$14,164,347	$ 8,835,793	$8,107,138	60.3%	63.6%	$3,069,479	287.9%	264.1%
2007	23,213,269	14,254,816	14,595,030	8,958,453	8,618,239	61.4	62.9	3,185,388	281.2	270.6
2008	24,092,325	13,797,344	9,843,386	10,294,981	14,248,939	57.3	40.9	3,180,484	323.7	448.0
2009	24,970,808	13,051,349	10,876,846	11,919,459	14,093,962	52.3	43.6	3,172,716	375.7	444.2
2010	26,723,773	12,449,863	11,408,555	14,273,910	15,315,218	46.6	42.7	3,189,739	447.5	480.1
2011	27,820,098	11,521,138	10,536,135	16,298,960	16,696,869	41.4	37.9	3,261,021	499.8	512.0
2012	29,883,532	10,531,448	10,799,603	19,352,084	19,083,929	35.2	36.1	3,223,720	600.3	592.0
2013	30,623,493	10,513,564	11,261,254	20,109,929	19,362,239	34.3	36.8	3,212,558	626.0	602.7
2014	30,087,596	10,339,208	10,665,597	19,748,388	19,421,999	34.4	35.4	3,340,174	591.2	581.5
2015	33,432,850	10,391,269	10,084,136	23,041,581	23,348,714	31.1	30.2	3,495,288	659.2	668.0

Source: 2006 through 2010 data is from the Actuarial Valuations of the Retirement Funds as of December 31, 2010, and the CAFRs of the Retirement Funds for the fiscal year ended December 31, 2010. 2011 through 2015 data is from the Actuarial Valuations of the Retirement Funds for the fiscal years 2011 through 2015. Table may not add due to rounding.

(1) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "—Payment for Other Post-Employment Benefits" below.

(2) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "—*Actuarial Methods*—Actuarial Value of Assets" above.

(3) For purposes of this column, "Actuarial" refers to the fact that the calculation was made using the Actuarial Value of Assets.

(4) For purposes of this column, "Fair Value" refers to the fact that the calculation was made using the fair value of Net Assets.

A variety of factors impact the Retirement Funds' UAAL and Funded Ratio. A lower return on investment than that assumed by the Retirement Funds, and insufficient contributions when compared to the Normal Cost plus interest will all cause an increase in the UAAL and a decrease in the Funded Ratio. Conversely, higher returns on investment than assumed, and contributions in excess of Normal Cost plus interest will decrease the UAAL and increase the Funded Ratio. In addition, legislative amendments, changes in actuarial assumptions, including, specifically, a change in the investment rate of return assumption, and certain other factors (including, but not limited to, higher or lower incidences of retirement, disability, in-service mortality, retiree mortality or terminations than assumed) will have an impact on the UAAL and the Funded Ratio.

Net Pension Liability and Discount Rate

As described in "—*Actuarial Valuation*—New GASB Standards" above, the New GASB Standards require the calculation of the Net Pension Liability, which is the difference between the Total Pension Liability and the Fiduciary Net Position. Furthermore, the Discount Rate is the blended rate at which the actuaries of the Retirement Funds discount projected benefit payments to their actuarial present values. The following tables present information on the Net Pension Liability and the components thereof and the Discount Rate and the sensitivity of the Net Pension Liability to changes in the Discount Rate.

TABLE 11 – NET PENSION LIABILITY
($ IN THOUSANDS)

	Total Pension Liability	**Plan Net Position**	**Net Pension Liability**	**Plan Net Position as a Percentage of Total Pension Liability**
		MEABF		
2014	$12,307,094	$5,179,486	$ 7,127,608	42.1%
2015*	23,358,870	4,741,427	18,617,443	20.3%
		LABF		
2014	$2,162,905	$1,388,093	$ 774,813	64.2%
2015*	3,712,615	1,238,657	2,473,958	33.4%
		PABF		
2014	$11,773,430	$3,062,014	$8,711,417	26.0%
2015	12,032,733	3,058,949	8,973,784	25.4%
		FABF		
2014	$4,512,760	$1,036,008	$3,476,752	23.0%
2015	4,826,084	1,045,101	3,780,983	21.7%
		Total		
2014	$30,756,189	$10,665,601	$20,090,590	34.7%
2015	43,930,302	10,084,134	33,846,168	23.0%

Source: The Actuarial Valuations of the Retirement Funds for the fiscal year ended December 31, 2015.

* The Total Pension Liability increased significantly for MEABF and LABF between the fiscal years ended December 31, 2014, and December 31, 2015. The Discount Rate decreased primarily because MEABF and LABF are projected to have insufficient assets on hand to make payments to beneficiaries beginning in 2025 and 2027, respectively, following the determination that P.A. 98-641 is unconstitutional. Pursuant to the provisions of the New GASB Standards, this projected insufficiency required the actuaries for MEABF and LABF to calculate the Total Pension Liability of such Retirement Funds using blended Discount Rates of 3.73% and 4.04%, respectively, instead of the 7.5% assumed investment rates of return employed by such Retirement Funds. An additional factor contributing to the increase in the Total Pension Liability of MEABF and LABF was the change in benefits resulting from the reversion to the provisions of the Pension Code effective prior to the enactment of P.A. 98-641 which increased the aggregate Total Pension Liability of such Retirement Funds by $2 billion.

TABLE 12 – SENSITIVITY OF NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE[1]

	Fiscal Year 2015		
	1% Decrease	Current	1% Increase
MEABF			
Discount Rate	2.73%	3.73%	4.73%
Net Pension Liability	$22,207,242	$18,617,443	$15,675,669
LABF			
Discount Rate	3.04%	4.04%	5.04%
Net Pension Liability	$3,017,416	$2,473,958	$2,028,467
PABF			
Discount Rate	6.15%	7.15%	8.15%
Net Pension Liability	$10,402,348	$8,973,784	$7,771,127
FABF			
Discount Rate	6.16%	7.16%	8.16%
Net Pension Liability	$4,311,378	$3,780,983	$3,329,106

Source: The Actuarial Valuations of the Retirement Funds for the fiscal year ended December 31, 2015.
(1) In thousands.

Projection of Funded Status

The following projections (collectively, the "*Projections*") are based upon numerous variables that are subject to change. The Projections are provided to indicate expected trends in the future funded status of the Retirement Funds. The Projections are forward-looking statements regarding future events based on the current provisions of the Pension Code, the Retirement Funds' actuarial assumptions and assumptions made regarding such future events, including the assumption that all projected contributions to the Retirement Funds are made as required. The Projections do not consider the potential impact of the provisions of SB 2437 (as hereinafter defined). No assurance can be given that these assumptions will be realized or that actual events will not cause material changes to the data presented in this subsection.

The Projections reflect the current provisions of the Pension Code and are based on data as of December 31, 2015. The Projections provided in this section with respect to MEABF combine pension and other post-employment benefits ("*OPEB*") liabilities together in a single projection, whereas the projections with respect to the other Retirement Funds exclude OPEB liabilities. Therefore, with respect to MEABF, such projections overstate the Actuarial Accrued Liability with respect to pension benefits by the amount of such OPEB liability. In addition, the City believes that the liability related to OPEB may be reduced based upon the outcome of the Lawsuit (as hereinafter defined). See "—Payment for Other Post-Employment Benefits—*Status of Healthcare Benefits after the Settlement Period*" herein.

TABLE 13 – PROJECTION OF FUTURE FUNDING STATUS – MEABF[1]

Fiscal Year	Actuarial Accrued Liability (a)	Market Assets (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)	Market Funded Ratio (b/a)	Employer Contribution[2]
2017	$15,601,032	$4,192,947	$11,408,085	26.9%	$ 161,461
2018	16,094,218	3,853,809	12,240,409	23.9	163,564
2019	16,589,364	3,459,687	13,129,677	20.9	172,867
2020	17,083,888	3,003,904	14,079,984	17.6	178,150
2021	17,574,995	2,479,302	15,095,693	14.1	183,621
2022	18,059,829	1,878,802	16,181,027	10.4	189,181
2023	18,537,160	1,196,285	17,340,875	6.5	194,830
2024	19,004,841	424,225	18,580,616	2.2	200,554
2025	19,459,300		19,459,300	0.0	855,906
2026	19,897,277		19,897,277	0.0	1,120,161
2027	20,316,755		20,316,755	0.0	1,166,976
2028	20,717,465		20,717,465	0.0	1,212,373
2029	21,098,000		21,098,000	0.0	1,257,674
2030	21,455,897		21,455,897	0.0	1,303,417
2031	21,790,111		21,790,111	0.0	1,348,024
2032	22,100,805		22,100,805	0.0	1,390,593
2033	22,388,962		22,388,962	0.0	1,430,451
2034	22,654,696		22,654,696	0.0	1,468,539
2035	22,910,295		22,910,295	0.0	1,492,933
2036	23,147,858		23,147,858	0.0	1,524,279
2037	23,369,889		23,369,889	0.0	1,552,169
2038	23,579,532		23,579,532	0.0	1,576,103
2039	23,777,869		23,777,869	0.0	1,598,235
2040	23,967,142		23,967,142	0.0	1,617,356

Source: The Actuarial Valuation of MEABF as of December 31, 2015.

Note: This Table includes OPEB liabilities together in a single projection, therefore, such projections overstate the Actuarial Accrued Liability with respect to pension benefits by the amount of such OPEB liability. In addition, the City believes that the liability related to OPEB may be reduced based upon the outcome of the Lawsuit. See "Payment for Other Post-Employment Benefits—*Status of Healthcare Benefits after the Settlement Period*" herein.

Note: The projection presented in this Table 13 reflects the current provisions of the Pension Code. See "—*Future Legislation Regarding MEABF and LABF*" for projections based on the provisions of the MEABF Plan (as hereinafter defined).

(1) In thousands of dollars. Projections calculated on a cash basis.

(2) Represents contributions expected to be made by the City during the fiscal year pursuant to the Pension Code plus, beginning in 2025, additional contributions necessary to make all required benefit payments to beneficiaries.

TABLE 14 – PROJECTION OF FUTURE FUNDING STATUS – LABF[1]

Fiscal Year	Actuarial Accrued Liability (a)	Market Assets (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)	Market Funded Ratio (b/a)	Employer Contribution[2]
2017	$2,583,237	$1,144,166	$1,439,071	44.3%	$ 14,418
2018	2,636,779	1,082,595	1,554,184	41.1	14,647
2019	2,687,606	1,011,037	1,676,569	37.6	15,726
2020	2,735,179	927,611	1,807,568	33.9	16,034
2021	2,779,505	831,821	1,947,684	29.9	16,457
2022	2,820,434	722,840	2,097,594	25.6	16,917
2023	2,857,647	599,642	2,258,005	21.0	17,415
2024	2,890,584	460,962	2,429,622	15.9	17,944
2025	2,918,750	305,506	2,613,244	10.5	18,525
2026	2,942,978	133,245	2,809,733	4.5	19,145
2027	2,962,258		2,962,258	0.0	75,488
2028	2,976,469		2,976,469	0.0	219,657
2029	2,985,525		2,985,525	0.0	225,397
2030	2,989,355		2,989,355	0.0	230,828
2031	2,988,610		2,988,610	0.0	235,301
2032	2,983,785		2,983,785	0.0	239,022
2033	2,975,413		2,975,413	0.0	241,966
2034	2,964,369		2,964,369	0.0	243,838
2035	2,951,306		2,951,306	0.0	244,921
2036	2,936,814		2,936,814	0.0	245,309
2037	2,921,459		2,921,459	0.0	245,804
2038	2,905,748		2,905,748	0.0	244,346
2039	2,890,180		2,890,180	0.0	243,102
2040	2,875,650		2,875,650	0.0	241,503

Source: The Actuarial Valuation of LABF, as of December 31, 2015.
Note: The projection presented in this Table 14 reflects the current provisions of the Pension Code. See "—*Future Legislation Regarding MEABF and LABF*" for projections based on the provisions of the LABF Plan (as hereinafter defined).
(1) In thousands of dollars. Projections calculated on a cash basis.
(2) Represents contributions expected to be made by the City during the fiscal year pursuant to the Pension Code plus, beginning in 2027, additional contributions necessary to make all required benefit payments to beneficiaries.

TABLE 15 – PROJECTION OF FUTURE FUNDING STATUS – FABF[1]

Fiscal Year	Actuarial Accrued Liability (a)	Market Assets (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)	Market Funded Ratio (b/a)	Employer Contribution[2]
2017	$5,175,065	$1,077,493	$4,097,572	20.8%	$227,000
2018	5,349,771	1,116,286	4,233,485	20.9	235,000
2019	5,522,286	1,152,463	4,369,823	20.9	245,000
2020	5,693,754	1,280,825	4,412,929	22.5	349,890
2021	5,863,784	1,409,526	4,454,258	24.0	358,280
2022	6,030,918	1,539,960	4,490,958	25.5	367,039
2023	6,194,206	1,671,301	4,522,905	27.0	375,617
2024	6,350,494	1,801,641	4,548,853	28.4	384,204
2025	6,500,383	1,930,916	4,569,467	29.7	392,203
2026	6,644,116	2,059,999	4,584,117	31.0	400,655
2027	6,781,555	2,190,520	4,591,035	32.3	409,936
2028	6,912,693	2,324,152	4,588,541	33.6	419,948
2029	7,038,956	2,462,674	4,576,282	35.0	429,905
2030	7,160,316	2,604,546	4,555,770	36.4	438,012
2031	7,276,473	2,749,091	4,527,382	37.8	445,011
2032	7,387,142	2,895,861	4,491,281	39.2	450,992
2033	7,492,457	3,044,411	4,448,046	40.6	455,926
2034	7,592,442	3,194,372	4,398,070	42.1	459,995
2035	7,687,214	3,345,912	4,341,302	43.5	463,684
2036	7,777,182	3,499,582	4,277,600	45.0	466,605
2037	7,864,125	3,657,791	4,206,334	46.5	469,763
2038	7,949,777	3,821,982	4,127,795	48.1	472,546
2039	8,037,399	3,995,217	4,042,182	49.7	475,440
2040	8,126,488	4,178,355	3,948,133	51.4	479,423

Source: The City based on data as of December 31, 2015.

Note: Pursuant to the provisions of P.A. 99-506, the City projects that FABF will reach a funded ratio of 90% by the end of the calendar year ended 2055.

(1) In thousands of dollars. Projections are calculated on an accrual basis. However, with respect to the Employer Contribution column, the City has presented the data based on the year the employer contribution is actually made, rather than the preceding budget year.

(2) Represents contributions expected to be made by the City during the fiscal year.

TABLE 16 – PROJECTION OF FUTURE FUNDING STATUS – PABF[1]

Fiscal Year	Actuarial Accrued Liability (a)	Market Assets (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)	Market Funded Ratio (b/a)	Employer Contribution[2]
2017	$13,055,721	$3,014,741	$10,040,980	23.1%	$ 500,000
2018	13,475,211	3,111,054	10,364,157	23.1	557,000
2019	13,892,770	3,201,937	10,690,833	23.0	579,000
2020	14,303,387	3,455,232	10,848,155	24.2	773,995
2021	14,709,010	3,706,494	11,002,516	25.2	793,216
2022	15,106,226	3,957,388	11,148,838	26.2	812,690
2023	15,490,876	4,205,479	11,285,397	27.1	832,615
2024	15,862,116	4,449,807	11,412,309	28.1	852,275
2025	16,218,605	4,689,801	11,528,804	28.9	871,803
2026	16,560,089	4,927,225	11,632,864	29.8	892,968
2027	16,886,252	5,162,358	11,723,894	30.6	914,187
2028	17,194,907	5,394,054	11,800,853	31.4	935,332
2029	17,485,889	5,624,145	11,861,744	32.2	957,213
2030	17,760,192	5,855,366	11,904,826	33.0	979,329
2031	18,019,878	6,093,316	11,926,562	33.8	1,004,059
2032	18,266,687	6,342,282	11,924,405	34.7	1,030,389
2033	18,502,754	6,607,019	11,895,735	35.7	1,058,202
2034	18,729,318	6,891,039	11,838,279	36.8	1,086,489
2035	18,947,540	7,194,798	11,752,742	38.0	1,111,042
2036	19,158,492	7,516,713	11,641,779	39.2	1,130,775
2037	19,362,167	7,854,796	11,507,371	40.6	1,146,171
2038	19,561,269	8,212,635	11,348,634	42.0	1,160,928
2039	19,756,426	8,592,232	11,164,194	43.5	1,175,163
2040	19,949,204	8,997,147	10,952,057	45.1	1,188,903

Source: The City based on data as of December 31, 2015.
Note: Pursuant to the provisions of P.A. 99-506, the City projects that PABF will reach a funded ratio of 90% by the end of the calendar year ended 2055.
(1) In thousands of dollars. Projections are calculated on an accrual basis. However, with respect to the Employer Contribution column, the City has presented the data based on the year the employer contribution is actually made, rather than the preceding budget year.
(2) Represents contributions expected to be made by the City during the fiscal year.

As described in this Section, the Illinois Supreme Court determined that P.A. 98-641 is unconstitutional on March 24, 2016. As a result of this decision, the law in effect at the time of the enactment of P.A. 98-641 is once again effective, as reflected in the projections set forth in Tables 13 and 14 above. Tables 13 and 14 present projections by the actuaries for MEABF and LABF that such Retirement Funds will not have assets on hand to make payments to beneficiaries beginning in 2025 and 2027, respectively, which would not have occurred pursuant to the provisions of P.A. 98-641.

In the event of an insolvency of MEABF or LABF, funds in excess of the contributions currently required by the Pension Code to be made to such Retirement Funds by the City and the employees who are members of such Retirement Funds will be necessary to fund payments to beneficiaries. However, the Pension Code currently provides only that the City must contribute the amount calculated pursuant to the Multiplier Funding formula to such Retirement Funds and does not consider the source of additional contributions in the event of an insolvency. In its opinion finding P.A. 98-641 unconstitutional, the Illinois Supreme Court indicated that the Pension Clause may create an obligation to provide adequate funding to the Retirement Funds upon imminent insolvency. Specifically, the Illinois Supreme Court stated that: "the [Pension Clause] was intended to force the funding of the pensions indirectly, by putting the state and municipal governments on notice that they are responsible for those benefits." The Illinois Supreme Court further stated that "...the [Pension Clause] created a legal obligation to pay pension benefits to the employees where previously there had been none," and "... the General Assembly and the City have been on notice since the ratification of the 1970 Constitution that the benefits of membership must be paid in full, and that they must be paid without diminishing or impairing them." However, though the Illinois Supreme Court may have identified an obligation to fund the benefits owed by the Retirement Funds, the Illinois Supreme Court did not specifically indicate the authority for or source of such payments.

The employer contributions reflected in Tables 13 and 14 provide, in the years following the insolvency of MEABF and LABF, the projected amounts that the City would contribute to such Retirement Funds if it had to pay directly, on a pay-as-you-go basis, the benefits owed to beneficiaries by the Retirement Funds. If the City is required to make such payments, the large increases in the City's contributions would likely have a material adverse impact on the City's financial condition; however, the City makes no prediction as to what sources of funds would be available for making such additional contributions in the event of an insolvency of MEABF or LABF. Additionally, the City cannot predict if or when changes to the Pension Code, such as SB 2437, or judicial decisions relevant to its contributions will be enacted or decided, respectively, and the impact any such legislation or judicial decisions would have on the manner in which it contributes to MEABF and LABF. Contributing pursuant to Multiplier Funding or pay-as-you-go funding, as discussed in this subsection, represent two possible outcomes; however, the City can make no representation that some other method of determining contributions, including payments that are possibly even larger than pay-as-you-go funding, would not be required.

Future Legislation Regarding MEABF and LABF

The City has reached agreements with certain of its labor unions regarding stabilization plans for each of MEABF and LABF.

On May 23, 2016, the City announced an agreement in principle ("*LABF Plan*") with Laborers' 1001 and 1092 pursuant to which the City would begin contributing to LABF on an actuarial basis and certain employees participating in LABF would contribute an increased percentage of their salaries to LABF. Similarly, on August 3, 2016, the City announced an agreement in principle (the "*MEABF Plan*") with unions for members of MEABF pursuant to which the City would begin contributing to MEABF on an actuarial basis and certain employees participating in MEABF would contribute an increased percentage of their salaries to MEABF. The implementation of the provisions of the LABF Plan and the MEABF Plan require amendments to the Pension Code, which require action by the General Assembly. Senate Bill 2437 ("*SB 2437*"), which contains the provisions of the MEABF Plan and the LABF Plan, passed the Illinois House of Representatives on December 1, 2016, and the Illinois Senate on January 9, 2017. SB 2437 still requires approval by the Governor to be enacted.

Pursuant to SB 2437, MEABF and LABF members hired on or after January 1, 2017 ("*New Members*") will contribute an additional three percent of their salaries to their respective Retirement Funds and will be eligible for benefits at age 65 (as opposed to age 67 for Tier II Members currently). In addition, Tier II Members of MEABF and LABF will be eligible to receive benefits at age 65 provided that such Tier II Members agree to contribute an additional three percent of their salaries to their respective Retirement Funds.

SB 2437 further provides for the City to contribute the actuarially determined amount required to achieve a 90 percent Funded Ratio in each of MEABF and LABF by 2057, following a phase-in of contributions ending in 2022. With respect to LABF, the LABF Plan provides that the City make a portion of such increased contribution from funds in the Corporate Fund made available as a result of an increase in the 911 surcharge. With respect to MEABF, the City intends to utilize revenues generated from a tax on water and sewer usage (the "*Water-Sewer Tax*") which was imposed by the City Council on September 14, 2016 to provide funds for a portion of the increase in the City's contribution to MEABF pursuant to the MEABF Plan. The Water-Sewer Tax, which will be phased in over a period of four years, is projected to generate additional revenues for the City.

The City makes no prediction as to whether SB 2437 will become law. Should SB 2437 or similar legislation incorporating the provisions of the MEABF Plan and the LABF Plan not become law, the City makes no prediction as to whether additional legislation to prevent the insolvency of MEABF and LABF will be enacted into law, or the effect of such insolvency on the City, such Retirement Funds and the City's contribution to such Retirement Funds.

The following tables provide projections regarding the Funded Ratio of, and City contributions to, MEABF and LABF under SB 2437 compared to the current provisions of the Pension Code:

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TABLE 17 – PROJECTED CONTRIBUTIONS – MEABF AND LABF(1)

Contribution Year	LABF: Contributions to LABF Under Current Law	LABF: Contributions to LABF Under LABF Plan	LABF: Increase in Contributions to LABF Under LABF Plan	MEABF: Contributions to MEABF Under Current Law	MEABF: Contributions to MEABF Under MEABF Plan	MEABF: Increase in Contributions to MEABF Under MEABF Plan
2017	$ 14,418	$ 15,116	$ 698	$ 161,461	$ 163,000	$ 1,539
2018	14,647	36,000	21,353	163,564	266,000	102,436
2019	15,726	48,000	32,274	172,867	344,000	171,133
2020	16,034	60,000	43,966	178,150	421,000	242,850
2021	16,457	72,000	55,543	183,621	499,000	315,379
2022	16,917	84,000	67,083	189,181	576,000	386,819
2023	17,415	122,460	105,045	194,830	871,295	676,465
2024	17,944	125,493	107,549	200,554	889,972	689,418
2025	18,525	128,646	110,121	855,906	908,902	52,996
2030	230,828	146,052	(84,776)	1,303,417	1,005,241	(298,176)
2035	244,921	166,692	(78,229)	1,492,933	1,123,894	(369,039)
2040	241,503	183,431	(58,072)	1,617,356	1,282,932	(334,424)
2045	223,548	196,956	(26,592)	1,658,455	1,470,707	(187,748)
2050	205,553	211,392	5,839	1,656,865	1,679,585	22,720
2055	201,058	226,692	25,634	1,676,563	1,897,448	220,885
2060	211,226	49,462	(161,764)	1,723,237	340,000	(1,383,237)

Source: With respect to the projection pursuant to the provisions of current law, the Actuarial Valuations of MEABF and LABF for the fiscal year ended December 31, 2015. For the projection pursuant to SB 2437, the City.

(1) In thousands of dollars. Projections are calculated on a cash basis.

TABLE 18 – PROJECTED FUNDED RATIOS – MEABF AND LABF(1)

Contribution Year	LABF: Funded Ratio Under Current Law	LABF: Funded Ratio Under LABF Plan	MEABF: Funded Ratio Under Current Law	MEABF: Funded Ratio Under MEABF Plan
2017	44.3%	45.5%	26.9%	29.0%
2018	41.1	41.7	23.9	26.8
2019	37.6	38.6	20.9	25.0
2020	33.9	36.7	17.6	23.9
2021	29.9	35.0	14.1	23.0
2022	25.6	33.6	10.4	23.7
2023	21.0	33.3	6.5	24.2
2024	15.9	33.1	2.2	24.8
2025	10.5	32.8	0.0	25.3
2030	0.0	31.0	0.0	27.0
2035	0.0	29.6	0.0	28.4
2040	0.0	30.8	0.0	31.5
2045	0.0	36.6	0.0	39.1
2050	0.0	49.8	0.0	53.8
2055	0.0	71.9	0.0	77.6
2060	0.0	90.0	0.0	90.0

Source: With respect to the projection pursuant to the provisions of current law, the Actuarial Valuations of MEABF and LABF for the fiscal year ended December 31, 2015. For the projection pursuant to SB 2437, the City.

(1) Projections are calculated on a cash basis.

Diversion of Grant Money to the Retirement Funds for PABF and FABF

The Pension Code allows the State Comptroller to divert State grant money intended for the City to PABF and FABF to satisfy contribution shortfalls by the City (the "*Recapture Provisions*"). If the City fails to contribute to PABF and FABF as required by the Pension Code, the City will be subject to a reallocation of grants of State funds to the City if: (i) the City fails to make the required payment as set forth in the respective statute, (ii) the subject Retirement Fund gives notice of the failure to the City, and (iii) such Retirement Fund certifies to the State Comptroller that such payment has not been made. Upon the occurrence of these events, the State Comptroller will withhold grants of State funds from the City in an amount not in excess of the delinquent payment amount. Should the Recapture Provisions of the Pension Code be invoked as a result of the City's failure to contribute all or a portion of its required contribution, a reduction in State grant money may have a significant adverse impact on the City's finances.

Enterprise Fund Allocation of Retirement Fund Costs

The City allocates to its enterprise funds their share of the City's annual contribution to the Retirement Funds based upon the amount of services provided by City employees to the functions or enterprises related to or paid out of those funds. The enterprise funds account for their allocable share of the City's contributions to the Retirement Funds as operating and maintenance expenses. In addition, beginning in 2015, the financial statements of the enterprise funds include an allocation of the applicable Net Pension Liability to such funds as required by the New GASB Standards. The amounts allocable to the respective enterprise funds, which are not available as of the date hereof, may be significant and may have a material effect on such financial statements. The City has budgeted for the special revenue and enterprise funds to reimburse the City approximately $82.3 million, or 7.6 percent of the total appropriation, during 2017 for their allocable share of the City's pension contribution.

The allocations described in this subsection are not required by statute but represent the City's current method of allocating its pension costs. The City may alter the manner in which it allocates its pension costs to these funds at any time.

Payment for Other Post-Employment Benefits

General

The City and the Retirement Funds share the cost of post-employment healthcare benefits available to City employees participating in the Retirement Funds through a single-employer, defined benefit healthcare plan (the "*Health Plan*"), which is administered by the City. Prior to June 30, 2013, the costs of the Health Plan were shared pursuant to a settlement agreement (as amended, the "*Settlement*") entered into between the City and the Retirement Funds regarding the responsibility for payment of these health benefits as described below under "*—The Settlement.*"

MEABF and LABF participants older than 55 with at least 10 years of service and PABF and FABF participants older than 50 with at least 10 years of service may become eligible for the Health Plan if they eventually become an annuitant.[1] The Health Plan provides basic health benefits to non-Medicare eligible annuitants and provides supplemental health benefits to Medicare-eligible annuitants.

[1] Under their respective collective bargaining agreements, which were renegotiated in 2012, certain retired PABF and FABF participants are eligible to enroll themselves and their dependents in the City's healthcare plan for active members until they reach the age of Medicare eligibility ("*Special CBA Benefit*"). These members do not contribute towards the cost of coverage

The City contributes a percentage toward the cost of the Health Plan for each eligible annuitant. The annuitants are responsible for contributing the difference between the cost of their health benefits and the sum of the subsidies provided by the City and the related Retirement Fund. Until June 30, 2013, annuitants who retired prior to July 1, 2005 received a 55 percent subsidy from the City, whereas annuitants retiring on or after such date received a subsidy equal to 50 percent, 45 percent, 40 percent or zero percent based on the annuitant's length of actual employment with the City pursuant to the Settlement. The Retirement Funds contributed a fixed dollar amount monthly ($65 for each Medicare-eligible annuitant and $95 for each non-Medicare eligible annuitant) for each of their annuitants. For a description of benefits after the expiration of the Settlement, see "—Status of Healthcare Benefits After the Settlement Period" herein.

The Retirement Funds' subsidies are paid from the City contribution, as provided in the Pension Code and described in "—Payment for Pension Benefits—*Determination of City's Contributions*" above. These payments therefore reduce the amounts available in the Retirement Funds to make payments on pension liabilities. See Tables 5 through 9 in "—Payment for Pension Benefits—*Funded Status of the Retirement Funds*" above for Retirement Funds' statement of net assets, which incorporates the expense related to the Health Plan as part of the "Administration" line item.

The Settlement

In 1987, the City sued the Retirement Funds asserting, among other things, that the City was not obligated to provide healthcare benefits to certain retired City employees. Certain retired employees intervened as a class in the litigation, and the Retirement Funds countersued the City. To avoid the risk and expense of protracted litigation, the City and the other parties entered into the Settlement, the terms of which have been renegotiated over time. The City contributed to the Health Plan as a result of the obligation established by the Settlement during the term of the Settlement (the "*Settlement Period*"). The Settlement expired on June 30, 2013. For the status of the Health Plan after the Settlement Period, see "*—Status of Healthcare Benefits After the Settlement Period*" below.

City Financing of the Health Plan

The City funds its share of the Health Plan's costs on a pay-as-you-go basis. Pay-as-you-go funding refers to the fact that assets are not accumulated or dedicated to funding the Health Plan. Instead, the City contributes the amount necessary to fund its share of the current year costs of the Health Plan. See Table 20 below for a schedule of historical contributions made by the City to the Health Plan.

Actuarial Considerations

<u>City Obligation</u>

The City has an Actuarial Valuation completed for its contributions to the Health Plan annually. The purpose and process behind an Actuarial Valuation is described above in "—Payment for Pension Benefits—*Actuarial Valuation*." In addition, the Retirement Funds produce an Actuarial Valuation for the liability of such Retirement Fund to its retirees for the benefits provided under the Health Plan.

Although these Actuarial Valuations all refer to the liability owed for the same benefits, the results of the Retirement Funds' Actuarial Valuations differ significantly from the City's Actuarial Valuation for two reasons. First, the City's Actuarial Valuation only reflects the portion of liabilities the

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for this plan. PABF contributes $95 per month for these members; FABF does not contribute for these members. The Special CBA Benefit expires in 2016, at which time the City expects it will be phased out permanently.

City owes under the Settlement. Second, the Actuarial Valuations of the City and the Retirement Funds differ because the actuarial methods and assumptions used for each purpose vary.

This Section addresses the funded status of the City's obligation to make payments for the Health Plan. For additional information on the amounts owed to members of the Retirement Funds for retiree healthcare benefits, see the Actuarial Valuations of the Retirement Funds, which are available as described in "—Payment for Pension Benefits—*Source Information*" above; and Note 11 to the City's Comprehensive Annual Financial Report, which is available on the City's website at http://www.cityofchicago.org/city/en/depts/fin/supp_info/comprehensive_annualfinancialstatements.html; provided, however, that the contents of the City's website are not incorporated herein by such reference.

Actuarial Methods and Assumptions

The Actuarial Valuation for the City's obligation to the Health Plan utilizes various actuarial methods and assumptions similar to those described in "—Payment for Pension Benefits" above with respect to the Retirement Funds. The City does not use an Actuarial Method to calculate the Actuarial Value of Assets of the Health Plan because no assets are accumulated therein for payment of future benefits. As such, the Actuarial Value of Assets for the Health Plan is always zero.

The City's 2012 Actuarial Valuation ("*2012 Actuarial Valuation*") amortizes the City's retiree healthcare UAAL over a closed 1-year period, in order to reflect the remainder of the Settlement Period and the Special CBA Benefit that was set to expire in 2012 under collective bargaining agreements that were in place at that time. The use of a closed, 1-year period has the effect of increasing the Actuarially Required Contribution as compared to the typical 30-year open amortization period because (i) the period of time over which the UAAL will be amortized is shorter, and (ii) the amortization period is one year as opposed to repeating 30-year periods. The 2012 Actuarial Valuation employed the PUC Method to allocate the City's retiree healthcare obligations. For more information on the PUC Method, see "—Payment for Pension Benefits—*Actuarial Methods*" above.

The City's 2013 Actuarial Valuation ("*2013 Actuarial Valuation*") and 2014 Actuarial Valuation (the "*2014 Actuarial Valuation*") amortize the City's retiree healthcare UAAL over a closed 10-year period, in order to reflect (i) the City's extension of healthcare coverage for members that had participated in the Settlement (with such coverage varying based on retirement date), and (ii) the provision of the Special CBA Benefit. For details on the Health Plan after the Settlement Period, see "—*Status of Healthcare Benefits After the Settlement Period*" below. The use of a closed, 10-year period rather than a closed, 1-year period has the effect of decreasing the Actuarially Required Contribution because the period of time over which the UAAL will be amortized is longer. In addition, the 2013 Actuarial Valuation and the 2014 Actuarial Valuation employed the EAN Method, rather than the PUC Method, to allocate the City's retiree healthcare obligations. For more information on the EAN Method and the PUC Method, see "—Payment for Pension Benefits—*Actuarial Methods*" above.

Funded Status

The following tables provide information on the financial health of the Health Plan. The Health Plan is funded on a pay-as-you-go basis, which means no assets are accumulated to pay for the liabilities of the Health Plan. As such, the Funded Ratio with respect to the Health Plan is perpetually zero.

Table 19 summarizes the current financial condition and the funding progress of the Health Plan.

TABLE 19 – SCHEDULE OF FUNDING PROGRESS(1)(2)

Actuarial Valuation Date (Dec. 31)	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Payroll
2007	$0	$1,062,864	$1,062,864	0%	$2,562,007	41.5%
2008	0	787,395	787,395	0	2,475,107	31.8
2009	0	533,387	533,387	0	2,546,961	20.9
2010	0	390,611	390,611	0	2,475,000	15.8
2011	0	470,952	470,952	0	2,518,735	18.7
2012	0	997,281	997,281	0	2,385,198	41.8
2013	0	964,626	964,626	0	2,425,000	39.8
2014	0	780,637	780,637	0	2,487,787	31.4

Sources: Comprehensive Annual Financial Report of the City for the fiscal years ending December 31, 2010-2015.
(1) In thousands of dollars.
(2) The City, as required, adopted GASB Statement No. 45 in fiscal year 2007. The information provided in this table was produced in 2007 or later.

Table 20 shows the net expense to the City for providing benefits under the Health Plan.

TABLE 20 – HISTORY OF CITY'S CONTRIBUTIONS(1)

	Actual City Contribution
2008	$ 97,968
2009	98,044
2010	107,431
2011	99,091
2012	115,961
2013	139,336
2014	128,061
2015	96,551

Sources: Comprehensive Annual Financial Report of the City for the fiscal years ending 2008-2015.
(1) In thousands of dollars.

Status of Healthcare Benefits After the Settlement Period

On May 15, 2013, the City announced plans to, among other things: (i) provide a lifetime healthcare plan to employees who retired before August 23, 1989 with a contribution from the City of up to 55 percent of the cost of that plan; and (ii) beginning January 1, 2014, provide employees who retired on or after August 23, 1989 with healthcare benefits but with significant changes to the terms provided by the Health Plan, including increases in premiums and deductibles, reduced benefits and the phase-out of the entire Health Plan for such employees by the beginning of 2017. The City made such announcement following the release of a report by the Retiree Health Benefits Commission, the creation of which was provided for by the Settlement, which concluded that maintaining the funding arrangement then in place for the Health Plan was untenable, would prevent the City from continuing to provide the then-current level of benefits to retirees in the future, and could result in other financial consequences, such as changes to the City's bond rating and its creditworthiness. If the City prevails in the Lawsuit (defined below), it expects a reduction in expenses of approximately $90 to $95 million annually beginning in 2017 as a result of the phase-out of the Health Plan.

On May 30, 2013, the Illinois General Assembly passed Senate Bill 1584, which was signed into law by the Governor on June 28, 2013. Senate Bill 1584 extends the Retirement Funds' subsidies for retiree healthcare costs until such time as the City no longer provides a health care plan for annuitants or December 31, 2016, whichever comes first.

Health Plan Lawsuit

After the June 30, 2013 expiration of the Settlement, on July 5, 2013, certain participants in the Health Plan filed a motion to "re-activate" the 1987 litigation covered by the Settlement. On July 17, 2013, the Circuit Court of Cook County, Illinois (the "*Circuit Court*") denied that motion. On July 23, 2013, certain of the participants filed a new lawsuit, *Underwood v. City of Chicago* (the "*Lawsuit*"), in the Circuit Court against the City and the Trustees of each of the four Retirement Fund Boards, seeking to bring a class action on behalf of former and current City employees who previously contributed or now contribute to one of the four Retirement Funds.

The complaint advanced State law claims, including alleged violation of the Pension Clause, and federal law claims. The City removed the case to federal court based on the federal law claims. The federal district court dismissed the case in its entirety. As to plaintiffs' claim that the planned changes violate the Pension Clause, the district court predicted that the Illinois Supreme Court would rule in a separate case, *Kanerva v. Weems* ("*Kanerva*"), then pending before the Illinois Supreme Court that healthcare benefits are not protected by the Pension Clause. However, on July 3, 2014, the Illinois Supreme Court issued an opinion in Kanerva determining that retiree healthcare benefits provided to State retirees are protected under the Pension Clause. The City argued on appeal to the federal appellate court that it should affirm the district court dismissal, including the State law claims, on an alternative ground. On February 25, 2015, the federal appellate court affirmed the dismissal of the federal law claims and declined to rule on the State law claims. On December 13, 2015, the Circuit Court issued a ruling dismissing certain of the State law claims but gave the plaintiffs leave to amend the complaint with respect to such claims. With respect to the remaining State law claim, which sought a declaration that a reduction in the benefits provided by the Health Plan would violate the Pension Clause, the Circuit Court determined that such a declaration could be made only with respect to those employees hired prior to August 23, 1989 (the "*Pre-1989 Class*"). On July 21, 2016, the Circuit Court dismissed with prejudice all of the plaintiffs' claims with the exception of the request for declaratory relief that a reduction in the benefits provided by the Health Plan would violate the Pension Clause with respect to the Pre-1989 Class. The plaintiffs have also pursued appeals to the Illinois Appellate Court and the Illinois Supreme Court in this case; the appeals are pending. The City has been defending and will continue to defend this matter vigorously. The City can give no assurance as to the ultimate outcome of the Lawsuit.

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GENERAL OBLIGATION DEBT

Long-Term General Obligation Bonds

On April 29, 2015, Mayor Emanuel announced a series of fiscal reforms to be implemented over the next four years to strengthen the City's financial practices. The reforms included (i) converting to fixed rate all of the City's outstanding general obligation variable rate bonds; (ii) terminating the interest rate swaps associated with the City's general obligation variable rate bonds; (iii) ending the practice of paying near-term debt with long-term bonds; (iv) increasing operating budget funding for legal settlements and judgments; and (v) increasing the City's reserve funds.

In the first half of 2015, the City implemented the first two components of the Mayor's fiscal reform agenda by converting all of its general obligation variable rate bonds to fixed rates of interest and terminating the related interest rate swaps and liquidity support instruments. Consistent with the Mayor's plan, the City currently intends to end the practice of paying near-term debt with long-term bonds and issuing long-term bonds to fund settlements and judgments after the issuance of the Bonds.

A significant portion of the City's long-term general obligation bonds, including the Bonds, are backed by the full faith and credit of the City, and all taxable property within the City is subject to the levy of taxes, without regard to rate or amount, to pay the principal of and interest on such general obligation bonds. As described below, certain general obligation bonds of the City do not have a property tax levy in place for their repayment.

The City has three types of long-term general obligation bonds outstanding. For a significant portion of the City's long-term general obligation bonds (including the Bonds), an annual property tax levy has been established to pay debt service on such bonds ("*Tax Levy Bonds*"). For certain other long-term general obligation bonds issued by the City (which make up a small subset of the City's general obligation bonds), either (i) an annual property tax levy has been established but is annually abated if certain other specified revenues are available that year for payment of debt service ("*Alternate Revenue Bonds*"), or (ii) no annual property tax levy has been established for debt service and payments of debt service are appropriated from sources of revenue other than property taxes ("*Pledge Bonds*"). Alternate Revenue Bonds include the City's General Obligation Bonds (Modern Schools Across Chicago Program), Series 2007 A-K, Series 2010A and Series 2010B, and General Obligation Bonds (Emergency Telephone System), Series 1999 and Series 2004. Pledge Bonds include the City's General Obligation Building Acquisition Certificates (Limited Tax), Series 1997, and the general obligation note issued by the City in connection with the acquisition by the City of the former Michael Reese Hospital campus (the "*MRL Note*"). All other long-term general obligation bonds of the City are Tax Levy Bonds.

Long-term general obligation bonds are generally issued annually by the City to pay for capital projects, refunding bonds for debt service savings, refunding bonds for restructuring near-term debt service, legal settlements and judgments, and, from time to time, retroactive employment wage and salary increases (including related pension costs).

Over the last several years, the City has issued long-term general obligation bonds annually to fund capital improvements, equipment, and legal judgments and settlements. For information on the use of long-term general obligation bonds for capital projects, see "FINANCIAL DISCUSSION AND ANALYSIS—Capital Improvements."

For the last several years, proceeds from long-term general obligation bonds have been used to restructure a portion of the near-term debt service on outstanding general obligation bonds reducing the property tax levy in those years by $90 million to $215 million per year. A portion of the proceeds of the

Bonds will be used to restructure the near-term debt service on outstanding general obligation bonds otherwise payable from the annual property tax levy. The restructuring will reduce debt service in levy years 2016, 2017, and 2018 below the level that would otherwise be required, and will extend the average maturity of the City's general obligation debt. The City intends to discontinue issuing general obligation debt for such purpose after the issuance of the Bonds. See "INVESTMENT CONSIDERATIONS—Structural Deficit and Debt Restructuring."

Approximately $225 million of proceeds of the Series 2017B Bonds are expected to be used to pay for future settlements and judgments. The City currently intends to end the use of long-term general obligation bonds to fund settlements and judgments in future financings.

Following are selected debt statistics regarding the City's long-term general obligation bonds from 2006 through 2015.

LONG-TERM GENERAL OBLIGATION BONDS
SELECTED DEBT STATISTICS 2006-2015

Year	Aggregate Debt ($ in thousands)(1)	Total Est. Fair Cash Value(2) ($ in thousands)	Ratio of Debt to Fair Cash Value(2)	Per Capita(3)
2006	$5,422,232	$329,770,733	1.6%	$1,872.31
2007	5,805,921	320,503,503	1.8%	2,004.80
2008	6,126,295	310,888,609	2.0%	2,115.42
2009	6,866,270	280,288,730	2.4%	2,370.94
2010	7,328,452	231,986,396	3.2%	2,718.67
2011	7,628,222	222,856,064	3.4%	2,829.88
2012	7,939,682	206,915,723	3.8%	2,945.43
2013	7,670,298	236,695,475	3.2%	2,845.49
2014	8,339,626	255,639,792	3.3%	3,093.79
2015	9,041,892	—	3.5%	3,354.32

(1) Source: City of Chicago, Department of Finance.
(2) Source: The Civic Federation. Excludes railroad property, pollution control facilities, and the portion of the City in DuPage County. 2015 information is not available at time of publication. The ratio of debt to fair cash value for 2015 is based on 2014 estimated fair cash value.
(3) Population source: U.S. Census Bureau. From 2006 through 2009, per capita calculation is based on the 2000 population of 2,896,016. From 2010 through 2015, per capita calculation is based on the 2010 population of 2,695,598.

The City's long-term general obligation debt service schedule for 2017 to 2043 is set forth in the table on the following page.

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LONG-TERM GENERAL OBLIGATION BONDS
DEBT SERVICE SCHEDULE[1][2]

As of February 1, 2017

(Adjusted for the issuance of the Bonds, the refunding of the Refunded Bonds and the payment of interest on the Interest Paid Bonds[4])

	The Bonds			Tax Levy Bonds			Alternate Revenue Bonds		Pledge Bonds		General Obligation Total		
Year	Principal	Interest	Capitalized Interest	Principal	Interest[3]	Capitalized Interest	Principal	Interest[3]	Principal	Interest	Principal	Interest	Total
2017		$ 65,923,314	$(25,860,383)	$71,526,948	$375,266,207	$(72,751,342)	$ 52,665,000	$21,712,085	$11,245,000	$ 4,295,980	$ 135,436,948	$ 368,585,859	$ 504,022,807
2018		71,916,342	(28,922,919)	140,891,972	370,849,864		55,955,000	19,118,526	11,350,000	3,638,700	208,196,972	436,600,512	644,797,484
2019		71,916,342	(23,698,850)	211,718,700	394,794,862		59,215,000	16,258,775	9,100,000	2,975,750	280,033,700	462,246,879	742,280,579
2020	$ 38,320,000	71,916,342		246,203,918	456,618,031		66,340,000	13,223,135	9,100,000	2,435,046	359,963,918	544,192,554	904,156,472
2021	32,540,000	69,216,698		257,397,240	445,419,639		58,870,000	9,852,726	9,100,000	1,892,850	357,907,240	526,381,912	884,289,152
2022	25,895,000	66,924,255		272,398,400	439,348,930		57,405,000	6,799,766	9,100,000	1,351,400	364,798,400	514,424,351	879,222,751
2023	27,710,000	65,099,952		284,308,320	427,446,999		38,295,000	3,815,148	9,100,000	809,950	359,413,320	497,172,049	856,585,369
2024	29,615,000	63,147,783		297,427,012	414,373,890		20,760,000	1,907,452	9,100,000	269,246	356,902,012	479,698,370	836,600,382
2025	31,725,000	61,061,406		310,803,971	400,973,504		6,945,000	864,187			349,473,971	462,899,098	812,373,069
2026	34,030,000	58,826,380		324,691,163	387,015,982		7,665,000	511,912			366,386,163	446,354,274	812,740,436
2027	36,460,000	56,428,966		345,984,720	365,693,173		675,000	120,154			383,119,720	422,242,292	805,362,012
2028	38,945,000	53,860,359		355,839,806	355,921,963		715,000	83,947			395,499,806	409,866,269	805,366,075
2029	41,565,000	51,414,600		375,204,515	336,385,449		850,000	45,594			417,619,515	387,845,643	805,465,158
2030	43,655,000	49,076,569		391,392,520	320,443,000						435,047,520	369,519,569	804,567,089
2031		46,620,975		502,118,596	298,360,361						502,118,596	344,981,336	847,099,932
2032	32,690,000	46,620,975		458,108,762	253,722,969						490,798,762	300,343,944	791,142,705
2033	34,120,000	44,741,300		483,916,194	227,922,494						518,036,194	272,663,794	790,699,988
2034	35,605,000	42,779,400		512,382,377	199,452,120						547,987,377	242,231,520	790,218,897
2035	224,380,000	40,643,100		357,812,607	166,876,416						582,192,607	207,519,516	789,712,123
2036	308,450,000	27,180,300		305,366,559	147,226,957						613,816,559	174,407,257	788,223,816
2037	144,555,000	8,673,300		285,042,925	129,750,668						429,597,925	138,423,968	568,021,894
2038				278,021,380	112,997,954						278,021,380	112,997,954	391,019,334
2039				290,235,000	66,214,975						290,235,000	66,214,975	356,449,975
2040				290,555,000	48,415,307						290,555,000	48,415,307	338,970,307
2041				307,605,000	31,341,080						307,605,000	31,341,080	338,946,080
2042				101,745,000	13,254,033						101,745,000	13,254,033	114,999,033
2043				108,170,000	6,829,854						108,170,000	6,829,854	114,999,854
Total	$1,160,260,000	$1,133,988,568	$(78,482,153)	$8,166,868,603	$7,192,916,680	$(72,751,342)	$426,355,000	$94,313,407	$77,195,000	$17,668,920	$9,830,678,603	$8,287,654,170	$18,118,332,773

(1) Principal and interest (including the amount of interest that has accreted on capital appreciation bonds) for each year includes amounts payable on the City's general obligation bonds and notes on July 1 of that year and January 1 of the following year, except that each year includes principal and interest payable on the General Obligation Bonds Series 2007A-K (Modern Schools Across Chicago Program), the General Obligation Bonds Series 2010A (Modern Schools Across Chicago Program) (Tax-Exempt) and the General Obligation Bonds, Taxable Series 2010B (Modern Schools Across Chicago Program) (Build America Bonds–Direct Payment) on June 1 and December 1 of that year. In addition, principal on the MRL Note is payable each June 30 and interest is payable on each March 31, June 30, September 30 and December 31.

(2) Excludes debt service on the Short-Term Borrowing Program.

(3) Interest for each year includes the full amount of the interest payable on the General Obligation Bonds, Taxable Project Series 2009C (Build America Bonds–Direct Payment), the General Obligation Bonds, Taxable Project Series 2009D (Recovery Zone Economic Development Bonds Direct Payment), the General Obligation Bonds, Taxable Series 2010B (Modern Schools Across Chicago Program (Build America Bonds–Direct Payment) and the General Obligation Bonds, Taxable Project Series 2010B (Build America Bonds–Direct Payment) without adjustment for federal subsidy payments to be received by the City.

(4) Reflects the application of $77,545,341 of City funds from operating budget sources (not constituting proceeds of any bonds, nor constituting receipts from property tax levies extended for the payment of general obligation bonds), to be deposited with the trustee/paying agents as of the closing, *for the payment of a portion of the Refunded Bonds shown in* APPENDIX F.

Note: May not total due to rounding.

Short-Term Borrowing Program

Under its Short-Term Borrowing Program, the City may issue general obligation commercial paper notes and borrow under general obligation lines of credit which are general obligations of the City but do not have a specific property tax levy in place for their repayment. The Short-Term Borrowing Program is used by the City for working capital in anticipation of receipt of other revenue, to fund capital projects, debt refinancing or restructuring and to pay non-capital expenditures, such as settlements and judgments or retroactive payment of employment salaries and wages.

The authorizing ordinance for the Short-Term Borrowing Program allows for a maximum outstanding amount of general obligation commercial paper notes and/or general obligation lines of credit in the aggregate principal amount of $1.0 billion. The City has sized its borrowing capacity for interim funding in anticipation of receiving revenues or issuing long-term general obligation bonds and to cover General Fund operating expenses.

On September 24, 2015, the City entered into a Revolving Line of Credit Agreement (the "*Line of Credit*") among the City and JPMorgan Chase Bank, National Association; Bank of China, Chicago Branch; and BMO Harris Bank, N.A. The Line of Credit initially provided the City with borrowing capacity of up to $750 million (which was later increased to $900 million), allocated *pro rata* among the participating lenders. On November 4, 2016, the City decreased the borrowing capacity under the Line of Credit to a maximum principal amount of $510 million.

The following table shows the City's lowest and highest outstanding balances and the total amount available for borrowing under the Short-Term Borrowing Program for the years 2010 through 2016 and as of December 31, 2016. Currently, the outstanding balance under the Line of Credit is $124,533,000.

SHORT-TERM BORROWINGS 2010-2016
($ in thousands)

Year	Lowest Outstanding Principal Amount	Highest Outstanding Principal Amount	Total Available Principal Amount
2010	$ 27,448	$198,101	$ 200,000
2011	30,092	198,112	200,000
2012	32,676	166,513	300,000
2013	72,517	415,256	500,000
2014	77,294	415,294	900,000
2015(1)	263,174	835,042	1,000,000
2015(2)	93,837	239,131	750,000
2016(3)	7,118	436,126	900,000
2016(4)	7,118	124,533	510,000

Source: City of Chicago, Department of Finance.
(1) For the period January 1, 2015 through September 23, 2015.
(2) For the period September 24, 2015 through December 31, 2015.
(3) For the period January 1, 2016 through November 3, 2016.
(4) For the period November 4, 2016 through December 31, 2016.

An event of default will occur under the Line of Credit if: (i) the long-term rating of the City's general obligations for borrowed money are lowered by any two of Fitch, Kroll and S&P, as follows: below "BBB-" (or its equivalent) by S&P, below "BBB-" (or its equivalent) by Fitch or below "BBB-" (or its equivalent) by Kroll, or (ii) a long-term rating of the City's general obligations for borrowed money is suspended, withdrawn or becomes unavailable by S&P, Kroll or Fitch.

MRL Financing LLC Promissory Note

In 2009, the City purchased the former Michael Reese Hospital campus in connection with the City's bid for the 2016 Summer Olympics. The purchase was implemented by the MRL Note issued by the City to the seller, which is currently outstanding in the amount of $81.9 million. The MRL Note is a general obligation of the City not supported by a property tax levy. Interest payments for the first five years were not required to be paid until June 30, 2014, at which time the City was required to either pay the accrued interest or add it to the outstanding principal amount. At that time, the City was also required to begin making quarterly interest payments and annual principal payments. The City has paid debt service as scheduled on the MRL Note in the following amounts: (i) for 2014, $22,645,133; (ii) for 2015, $14,241,550; and (iii) for 2016, $13,700,846. The City has used available funds in the General Fund and proceeds of general obligation debt to pay these amounts. The City anticipates using such sources to make continued debt service payments due under the MRL Note until such time as the property is sold. When the property is sold, in whole or in part, the City currently expects to use such sale proceeds to pay the MRL Note. The City is considering the issuance of refunding notes for the MRL Note in order to reduce debt service costs.

USX South Works

The City entered into a tax-increment financing redevelopment agreement dated December 23, 2010 (the "*Lakeside TIF Agreement*") in connection with the redevelopment of the currently vacant former U.S. Steel plant along the shore of Lake Michigan on the southeast side of the City. The terms of the Lakeside TIF Agreement require the City, upon the fulfillment by the developer of certain specified leasing, sale, financing and other conditions, to issue a series of general obligation bonds secured by or otherwise payable from Citywide property taxes and a series of special assessment bonds secured by or otherwise payable from a special assessment levy on the redevelopment project site. Pursuant to the Lakeside TIF Agreement, the proceeds of such general obligation and special assessment bonds may be used to pay for certain costs of the redevelopment project, located in the Chicago Lakeside Development–Phase I TIF Redevelopment Project Area (the "*TIF Area*"), including public infrastructure. If and when the general obligation and special assessment bonds are issued, the Lakeside TIF Agreement provides that such bonds will be paid from the incremental taxes collected in the TIF Area to the extent available rather than from Citywide property taxes. The debt service on the general obligation bonds will be based on the first 50 percent of the incremental taxes projected at the time of issuance and have a first lien on the incremental taxes; the debt service on the special assessment bonds will be based on the second 50 percent of the incremental taxes projected at the time of issuance and have a second lien on the incremental taxes. If the incremental taxes are insufficient to pay the debt service on the general obligation and special assessments bonds: (1) debt service on the general obligation bonds will be paid first by a letter of credit posted by the developer in an amount equal to 100 percent of maximum annual debt service on the general obligation bonds and then if necessary by Citywide property taxes; and (2) debt service on the special assessment bonds will be paid by the special assessment levy. The Lakeside TIF Agreement estimated that there will be approximately $96,000,000 of redevelopment project costs eligible to be paid with the proceeds of the general obligation and special assessment bonds but did not otherwise estimate the principal amounts of the general obligation and special assessment bonds.

INVESTMENT CONSIDERATIONS

The following discussion of investment considerations should be reviewed by prospective investors prior to purchasing the Bonds. Any one or more of the investment considerations discussed herein could lead to a decrease in the market value and the liquidity of the Bonds or, ultimately, a *payment default on the Bonds. There can be no assurance that other factors not discussed herein will not become material in the future.*

Unfunded Pensions

The Retirement Funds have significant unfunded liabilities and low funding ratios. The City's required contributions to PABF and FABF increased significantly beginning in 2016. The Amended FY 2015 Budget and the FY 2016 Budget provide for such increases to be funded primarily through increases in the City's property tax levy. In addition, actuaries for MEABF and LABF project that such Retirement Funds will not have sufficient funds to make payments to beneficiaries beginning in 2025 and 2027, respectively. See "RETIREMENT FUNDS—Payment for Pension Benefits—*Projection of Funded Status*" for a discussion of the impact of such insufficiency.

Future required contribution increases beyond fiscal year 2016 may also require the City to increase its revenues, reduce its expenditures, or some combination thereof, which may impact the services provided by the City or limit the City's ability to generate additional revenues in the future. See "RETIREMENT FUNDS—Payment for Pension Benefits" herein.

Overlapping Taxing Districts

A number of overlapping taxing districts whose jurisdictional limits overlap with the City have the power to raise taxes, including property taxes. See "FINANCIAL DISCUSSION AND ANALYSIS—Property Taxes—*Overlapping Taxing Districts*." The City does not control the amount or timing of the taxes levied by these overlapping taxing districts. Depending on the amount of such increase(s), an increase in the amount of taxes by these overlapping taxing districts could potentially be harmful to the City's economy and/or may make it more difficult for the City to increase taxes, including property taxes, to pay for its unfunded pensions. The City can give no assurance as to whether, and to what extent, property taxes levied by overlapping taxing districts may increase in coming years.

Structural Deficit and Debt Restructuring

Over the past ten years, the City has experienced an imbalance of tax revenues relative to operating expenditures resulting in operating budget gaps. Since 2012, the City has reduced the General Fund budget gap each year through targeted cuts, revenue enhancements, and improved operating efficiencies. However, the City projects budget gaps in 2018 and 2019 due to operating budget shortfalls and increased pension obligations. See "FINANCIAL DISCUSSION AND ANALYSIS—General Fund—*General Fund Financial Forecasts*—General Fund 2016 Year-End Estimates and 2017 Proposed Budget" and "—2017-2019 General Fund Outlook."

For the last several years, the City has annually issued general obligation debt to pay a portion of the near-term debt service on outstanding general obligation bonds, in order to limit the annual property tax levy for debt service on the outstanding bonds. A portion of the proceeds of the Bonds will be used for this purpose, reducing the debt service on outstanding general obligation bonds otherwise payable from the annual property tax levy for the 2016, 2017, and 2018 levy years. See "GENERAL OBLIGATION DEBT—Long-Term General Obligation Bonds." This practice has the effect of extending and increasing the City's overall debt levels. Unless the City is able to pay its annual general obligation debt service from recurring revenue sources, the City's interest costs and outstanding debt are likely to continue to rise. The City plans to discontinue issuing general obligation debt for such purpose after issuance of the Bonds.

Recurring operating budget gaps and increases in the City's debt burden could result in the need for new or enhanced revenue sources, including tax increases, or reduction of essential City services.

Increased Debt Service Levels

Upon issuance of the Bonds, the City's long-term general obligation debt will increase. Further increases in the City's long-term general obligation debt and annual debt service could crowd out spending for other City services and/or require substantial increases in property taxes or other revenue sources. See "GENERAL OBLIGATION DEBT—Long-Term General Obligation Bonds."

Reductions and Delays in Receipt of State Revenues

State tax revenue received by the City includes the City's local share of the State's sales and use taxes, income tax and PPRT. The State is itself facing a substantial budget deficit and Governor Rauner has made a number of proposals to close the State's budget gap. Among them is a reduction in the local government distributive share of the State's income tax. If such a reduction were to become law, the City would lose significant income tax receipts. This proposal, or any other that reduces the State taxes received by the City, would have an immediate and adverse effect on the City's budget.

The State has in the past delayed by months the distribution to local governments of their respective shares of State taxes due to the State's own budget problems. During 2015 and 2016, the State experienced an impasse between the Governor and the Illinois General Assembly over the budget for the State's current fiscal year. This resulted in delays in the City's receipt of both its local share of State motor fuel tax revenue and its local share of revenue from the State's use tax and service use tax, which is subject to appropriation by the Illinois General Assembly. Such delays did not affect the payment of principal of or interest on the City's outstanding general obligation bonds or sales tax revenue bonds when due, or delay payments to vendors, service providers or other recipients of City funds. The City has since been fully reimbursed for all such amounts.

If the period of any future delay in receipt of State taxes were to continue for an extended period, the City could be forced to delay payments to vendors, service providers or other recipients of City funds if other legally available funds are not on hand.

Cap on Property Taxes

The Illinois Property Tax Code limits, among other things, the amount of property tax that can be extended for non-home rule units of local government located in Cook County and five adjacent counties (the "*State Tax Cap*"). As a home rule unit of government, the City is not subject to the State Tax Cap. A number of bills have been introduced in the Illinois General Assembly to limit or freeze property taxes, including those imposed by home rule units of local government such as the City. The application of the State Tax Cap to the City or any other measure that would limit or freeze property taxes would require three-fifths vote of each house of the Illinois General Assembly. If the City were to become subject to a State-imposed property tax limitation restriction in the future similar to the State Tax Cap or any other restriction or freeze on property taxes, the City's ability to levy property taxes in amounts needed for its future funding needs may be adversely affected.

Adverse Change in Laws

There are a variety of State and federal laws, regulations and constitutional provisions that apply to the City's ability to raise taxes, fund its pension obligations or to reorganize its debts. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, regulations and provisions. Any such change, interpretation or addition may have a material adverse effect, either directly or indirectly, on the City or the taxing authority of the City, which could materially adversely affect the City's operations or financial condition.

Amendment to the Illinois Constitution

On November 8, 2016, the voters of the State approved a ballot measure amending the Illinois Constitution (the "*Amendment*") that added a new section to the Revenue Article of the Illinois Constitution. On December 5, 2016, the Illinois State Board of Elections certified that the Amendment had received the constitutionally required majority at the November 8, 2016 election. The Amendment prohibits the expenditure of "moneys, including bond proceeds, derived from taxes, fees, excises, or license taxes relating to registration, title, or operation or use of vehicles, or related to the use of highways, roads, streets, bridges, mass transit, intercity passenger rail, ports, airports, or to fuels used for propelling vehicles, or derived from taxes, fees, excises, or license taxes relating to any other transportation infrastructure or transportation operation," on non-transportation purposes, as more fully described in the Amendment. In accordance with the procedural requirements under the Illinois Constitution for adoption of constitutional amendments, the Illinois General Assembly caused a ballot summary of the Amendment to be published by the Illinois Secretary of State, which included a statement that the Amendment did not, and was not intended to, alter home rule powers granted under the Illinois Constitution. The 2017 Projects to be financed with the proceeds of the Bonds include both transportation and non-transportation facilities. The issuance of the Bonds and the expenditure of the Bond proceeds are pursuant to the exercise of the City's home rule powers. The City is unable to predict whether the Amendment may have any material effect on the Bonds, including the expenditure of the Bond proceeds, or on the use of revenues or other funds received by the City.

Bankruptcy

Under federal law, municipalities, including the City, are ineligible for bankruptcy unless specifically authorized to be a debtor in bankruptcy by state law or by a governmental officer or organization empowered by state law to authorize such entity to be a debtor in a bankruptcy. State law does not currently permit municipalities, including the City, to be debtors in bankruptcy, and therefore municipalities, including the City, are currently ineligible for bankruptcy.

As with all State law, the current prohibition on municipal bankruptcies is subject to review or change by State government. From time to time, legislation has been introduced in the Illinois General Assembly which, if enacted, would permit Illinois municipalities to be debtors in bankruptcy. The City is unable to predict whether the Illinois General Assembly will adopt any such legislation or the form of such legislation if enacted.

In the event of a change in State law to provide that the City is eligible to be a debtor in bankruptcy, and that authority is acted upon, there is no guarantee that the bankruptcy court would consider the Bondholders to have a secured claim under the Bankruptcy Code with respect to remittances of the Bond Property Tax Levy or other moneys in the Bond, Note Redemption and Interest Fund. The Bond, Note Redemption and Interest Fund is not held by the Trustee, and is not subject to a statutory lien in favor of the Bondholders. In addition, remittances of the Bond Property Tax Levies are not "special revenues" as defined in the Bankruptcy Code.

Uncertain Enforcement Remedies

The Bonds are direct and general obligations of the City and all taxable property in the City is subject to levy to pay the debt service on the Bonds. The Bonds are not secured by a statutory lien on the Bond, Note Redemption and Interest Fund, any real property in the City or any physical assets of the City. The maturity of the Bonds cannot be accelerated in the event that the City fails to pay any installment of interest on, or principal of, the Bonds when due.

The remedies available to Bondholders upon nonpayment of principal of or interest on the Bonds are uncertain and in many respects dependent upon discretionary judicial actions. There currently is no established judicial precedent addressing the rights of Bondholders to compel the City to levy taxes or to enforce any other Bondholder remedy. See APPENDIX A—"SUMMARY OF THE INDENTURE—Default and Remedies."

Force Majeure Events

There are certain unanticipated events beyond the City's control that could have a material adverse impact on the City's operations and financial conditions if they were to occur. These events include fire, flood, earthquake, epidemic, adverse health conditions or other unavoidable casualties or acts of God, freight embargo, labor strikes or work stoppages, civil commotion, new acts of war or escalation of existing war conditions, sabotage, terrorism or enemy action, pollution, unknown subsurface or concealed conditions affecting the environment, and any similar causes. No assurance can be provided that such events will not occur, and, if any such events were to occur, no prediction can be provided as to the actual impact or severity of the impact on the City's operations and financial condition.

Forward-Looking Statements

This Official Statement contains certain statements relating to future results that are forward-looking statements. When used in this Official Statement, the words "estimate," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, Bondholders and potential investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material. The City does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

LITIGATION

There is no litigation pending in any court or, to the knowledge of the City, threatened, questioning the corporate existence of the City, or which would restrain or enjoin the issuance or delivery of the Bonds, or which concerns the proceedings of the City taken in connection with the Bonds or the City's pledge of its full faith, credit and resources to the payment of the Bonds.

The City is a defendant in various pending and threatened individual and class action litigation relating principally to claims arising from contracts, personal injury, property damage, police conduct, discrimination, civil rights actions and other matters. The City believes that the ultimate resolution of these matters will not have a material adverse effect on the financial position of the City.

Property Tax Rate Objections: 2007 and following. The City's property tax levies for 2007 and following have varied between approximately $720 million and $835 million annually, excluding the School Building and Improvement Fund levy. Objections have been filed in the Circuit Court of Cook County (the "*Circuit Court*") to these levies, which objections remain pending. The City is unable to predict the outcome of the proceedings concerning the objections.

Automated Red Light and Speed Enforcement Litigation. In July 2010, individual plaintiffs, seeking to maintain a class action, filed suit against the City and other defendants to challenge the City's use since 2003 of an automated red-light ticketing system. The plaintiffs alleged, among other things, that the 2006 statute authorizing eight Illinois counties to enact red-light camera ordinances is unconstitutional local legislation and that the City lacks home-rule authority to enact a red-light camera ordinance and adjudicate violations administratively. The plaintiffs sought an injunction against the operation of the City's red-light ticketing system and restitution of fines paid. The Circuit Court granted the City's motion to dismiss the case; the Illinois Appellate Court affirmed in an unpublished decision. The Illinois Supreme Court took the case, but two justices recused themselves and a majority of the remaining justices did not reach a consensus. This had the effect of affirming the Illinois Appellate Court decision. While the appeal was pending, the same attorney filed another putative class action case in the Circuit Court, with different named plaintiffs raising similar claims about the automated red-light ticketing system. On April 1, 2016, the Circuit Court dismissed the complaint. The plaintiffs' motion to reconsider the dismissal was denied by the Circuit Court on July 1, 2016. The plaintiffs have filed a notice of appeal. The City will continue to defend this matter vigorously. On March 23, 2015, individual plaintiffs, seeking to maintain a class action, filed a separate lawsuit alleging that the City has exceeded its home rule authority and has violated State law and City ordinances by issuing notices of violation and determinations of liability for automated speed enforcement violations and automated red-light violations that allegedly do not comply with State and local requirements. They seek declaratory judgment, injunctive relief and, in an unjust enrichment claim, seek restitution of fines paid. The City filed a motion to dismiss, which the Circuit Court granted in part and denied in part on February 19, 2016. The Circuit Court also certified a class action on November 2, 2016. The City filed a petition for leave to appeal to the Illinois Appellate Court from that ruling. The City will continue to defend this case vigorously.

Retiree Healthcare Litigation. See the description of *Underwood v. City of Chicago* in "RETIREMENT FUNDS—Payment for Other Post-Employment Benefits—Health Plan Lawsuit" above.

Stop and Frisk Litigation. On April 20, 2015, 32 individually named plaintiffs filed a putative class action in the federal district court, alleging that they were stopped and frisked by Chicago police officers without probable cause and because of their race or national origin. The complaint seeks injunctive and declaratory relief for the class members and damages and punitive damages for plaintiffs. The federal district court denied the City's motion to dismiss the claims. The City will continue to defend this matter vigorously.

INDEPENDENT AUDITORS

The basic financial statements of the City as of and for the year ended December 31, 2015, included in APPENDIX C to this Official Statement, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein at APPENDIX C that was modified to include a reference to other auditors and to include an emphasis of a matter paragraph related to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

RATINGS

The Bonds are rated "BBB+" (stable outlook) by S&P, "BBB-" (stable outlook) by Fitch, and "BBB+" (stable outlook) by Kroll.

A rating reflects only the view of the rating agency giving such rating. A rating is not a recommendation to buy, sell or hold securities, and may be subject to revision or withdrawal at any time. An explanation of the significance of such rating may be obtained from such organization. There is no assurance that any rating will continue for any given period of time or that any rating will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have adverse consequences for the City or an adverse effect on the price at which the Bonds may be resold.

FINANCIAL ADVISORS AND INDEPENDENT REGISTERED MUNICIPAL ADVISOR

The City has retained PFM Financial Advisors LLC and Public Alternative Advisors, LLC to act as co-financial advisors (the "*Co-Financial Advisors*") in connection with the offering of the Bonds. The Co-Financial Advisors have provided advice on the plan of financing and structure of the Bonds and have reviewed certain legal documents, including this Official Statement, with respect to financial matters. The City has retained Mohanty Gargiulo LLC to act as Pricing Advisor (the "*Pricing Advisor*") and the Pricing Advisor has provided advice to the City in connection with pricing of the Bonds. The Co-Financial Advisors and the Pricing Advisor are not obligated to undertake, and have not undertaken to make, an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Each of the Co-Financial Advisors and Pricing Advisor is a "municipal advisor" as defined in Rule 15Ba1-1 of the Commission.

The City has retained Martin J. Luby LLC as its independent registered municipal advisor (the "*IRMA*") pursuant to Rule 15Ba1-1-(d)(3)(vi) of the Commission to evaluate financing proposals and recommendations in connection with the City's various bond issuance programs and other financing ideas being considered by the City; however, the IRMA will not advise on the investment of City funds held by the Office of the City Treasurer. The IRMA's compensation is not dependent on the offering of the Bonds.

CERTAIN VERIFICATIONS

Robert Thomas, CPA, LLC, Shawnee Mission, Kansas (the "*Verifier*"), upon delivery of the Bonds, will deliver to the City, Co-Bond Counsel and the Underwriters a report stating that the firm, at the request of the City and the Underwriters, has reviewed the mathematical accuracy of certain computations based on certain assumptions relating to (i) the sufficiency of the principal and interest received from the investment in Refunded Bonds Defeasance Obligations, together with any initial cash deposit, to meet the timely payment of the applicable principal or redemption price of and interest on the Refunded Bonds and the Interest Paid Bonds, as described under "PLAN OF FINANCING" and (ii) the yields on the Bonds and on the Refunded Bonds Defeasance Obligations.

The Verifier will express no opinion on the attainability of any assumptions or the tax-exempt status of the Bonds. The computations verified by the Verifier are intended in part to support conclusions of the City and Co-Bond Counsel concerning the federal income tax status of the Bonds.

UNDERWRITING

Goldman, Sachs & Co., as representative on behalf of itself and the other underwriters listed on the cover of this Official Statement (the "*Underwriters*"), has agreed, subject to certain conditions, to purchase the Series 2017A Bonds at a price equal to $858,622,501.22 (which represents the aggregate principal amount of the 2017A Bonds less an Underwriters' discount of $5,621,277.78 and less original issue discount of $21,756,221.00), and to purchase the Series 2017B Bonds at a price equal to $272,519,941.71 (which represents the aggregate principal amount of the Series 2017B Bonds less an Underwriters' discount of $1,740,058.29).

The obligation of the Underwriters to accept delivery of the Bonds is subject to various conditions set forth in a Bond Purchase Agreement dated January 19, 2017, between the Underwriters and the City. The Underwriters are obligated to purchase all of the Bonds if any of the Bonds are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage, and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

Siebert Cisneros Shank & Co., L.L.C. (formerly known as Siebert Brandford Shank & Co., L.L.C.) has entered into a separate agreement with Muriel Siebert & Co. for the retail distribution of certain securities offerings, at the original issue prices. Pursuant to this distribution agreement, if applicable to the Bonds, Muriel Siebert & Co. will purchase Bonds at the original issue price less the selling concession with respect to any Bonds that such entity sells. Siebert Cisneros Shank & Co., L.L.C. will share a portion of its underwriting compensation with Muriel Siebert & Co.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors, and employees may purchase, sell, or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities, and/or instruments of the City (directly, as collateral securing other obligations, or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas, and/or publish or express independent research views in respect of such assets, securities or instruments, and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities, and instruments.

TAX MATTERS

Federal Income Tax

Federal tax law contains a number of requirements and restrictions which apply to the Series 2017A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed with them, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2017A Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2017A Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2017A Bonds.

Subject to the accuracy of certain representations and the City's continuing compliance with the above-referenced covenants, under present law, in the respective opinions of Co-Bond Counsel, interest on the Series 2017A Bonds is excludable from the gross income of their owners for federal income tax purposes and thus is exempt from present Federal income taxes based upon gross income. Interest on the Series 2017A Bonds is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations, as described in the following paragraph.

The Internal Revenue Code of 1986, as amended (the "*Code*"), includes provisions for an alternative minimum tax ("*AMT*") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("*AMTI*"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (excluding S Corporations, Regulated Investment Companies, Real Estate Investment Trusts, REMICs and FASITs) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" includes all tax exempt interest, including interest on the Series 2017A Bonds.

Interest on the Series 2017B Bonds is includable in the gross income of their owners for federal income tax purposes and thus is ***not*** exempt from present federal income taxes based upon gross income.

Ownership of the Series 2017A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations operating branches in the United States), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Co-Bond Counsel will express no opinion with respect to any such collateral consequences with respect to the Series 2017A Bonds. Prospective purchasers of the Series 2017A Bonds should consult with their own tax advisors regarding the collateral consequences arising with respect to the Series 2017A Bonds described in this paragraph.

Discount and Premium

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity, the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond for a price in excess of its stated principal amount at maturity. (Such Bond is referred to as a "*Premium Bond*"). Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Premium Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a Premium Bond. The amortized bond premium is treated as a reduction in the amount of tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Premium Bond should consult their own tax advisors regarding the amortization of bond premium and its effect on the Premium Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of such Premium Bond.

Owners of Bonds who dispose of Bonds prior to their stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from their issue price, or purchase Bonds subsequent to the initial public offering should consult their own tax advisors as to the federal, state or local tax consequences of such dispositions or purchases.

State and Local Taxes

Interest on the Bonds is not exempt from present Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Co-Bond Counsel will express no opinion with respect to any such state and local tax consequences with respect to the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding any state and local tax consequences arising with respect to the Bonds.

Basis of Bond Counsel Opinions

The respective opinions of Co-Bond Counsel to be delivered concurrently with the delivery of the Bonds and the descriptions of the tax law contained in this Official Statement are based upon statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Bonds are issued. There can be no assurance that such law or those interpretations will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Bonds are outstanding in a manner that would adversely affect the market value or liquidity or the tax treatment of ownership of the Bonds. Co-Bond Counsel have not undertaken to provide advice with respect to any such future changes.

In rendering their opinions, Co-Bond Counsel will receive and rely upon certifications and representations of facts, calculations, estimates and expectations furnished by the City and others which Co-Bond Counsel will not have verified independently.

IRS Audits

The Internal Revenue Service ("*IRS*") conducts a program of audits of issues of tax-exempt obligations to determine whether, in the view of the IRS, interest on such obligations is properly excluded from the gross income of the owners of such obligations for federal income tax purposes. Whether or not the IRS will decide to audit the Series 2017A Bonds cannot be predicted. If the IRS begins an audit of the Series 2017A Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer subject to the audit and the holders of the Series 2017A Bonds may not have the right to participate in the audit proceedings. The fact that an audit of the Series 2017A Bonds is pending could adversely affect the liquidity or market price of the Series 2017A Bonds until the audit is concluded even if the result of the audit is favorable.

Legislation

From time to time, there are legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to in this section, or adversely affect the market price or liquidity of tax-exempt bonds of the character of the Series 2017A Bonds. In some cases, these proposals have included provisions that had a retroactive effective date. It cannot be predicted whether or in what form any such proposal might be introduced in Congress or enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2017A Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation. Co-Bond Counsel will express no opinion regarding any pending or proposed federal tax legislation.

Backup Withholding

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Series 2017A Bonds, are in most cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any owner of Series 2017A Bonds who fails to provide an accurate Form W-9 Payers Request for Taxpayer Identification Number, or a substantially identical form, or to any such owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of interest on the Series 2017A Bonds from gross income for federal tax purposes.

APPROVAL OF LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinions of Co-Bond Counsel, who have been retained by, and act as, Bond Counsel to the City. Except as noted below, Co-Bond Counsel have not been retained or consulted on disclosure matters and have not undertaken to review or verify the accuracy, completeness or sufficiency of this

Official Statement or other offering material relating to the Bonds and assume no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that Co-Bond Counsel have, at the request and for the benefit of the City, reviewed only those portions of the Official Statement involving the description of the Bonds, the Indenture, the security for the Bonds (excluding forecasts, projections, estimates or any other financial or economic information in connection therewith) and the description of the federal tax status of interest on the Bonds. This review was undertaken solely at the request of the City and did not include any obligation to establish or confirm factual matters set forth herein.

Certain legal matters will be passed on for the City by (i) its Corporation Counsel, (ii) in connection with the preparation of this Official Statement, Burke, Warren, MacKay & Serritella, P.C., Chicago, Illinois, and Golden Holley James, LLP, Chicago, Illinois, Co-Disclosure Counsel to the City, and (iii) in connection with certain pension matters described in this Official Statement, Chapman and Cutler LLP, Chicago, Illinois, Special Disclosure Counsel. Certain legal matters will be passed on for the Underwriters by Ice Miller LLP, Chicago, Illinois, Underwriters' Counsel.

SECONDARY MARKET DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the "*Undertaking*") for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "*MSRB*") pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "*Rule*") adopted by the Commission under the Exchange Act. The MSRB has designated its Electronic Municipal Market Access system, known as EMMA, as the system to be used for continuing disclosures to investors. The information to be provided on an annual basis, the events that will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below.

A failure by the City to comply with the Undertaking will not constitute a default under the Bonds, the Indenture, or the Bond Ordinance, and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See "—Consequences of Failure of the City to Provide Information" below. A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The following is a brief summary of certain provisions of the Undertaking of the City and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the City.

Annual Financial Information Disclosure

The City covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (as described below) to the MSRB, beginning in 2017. The City is required to deliver such information so that the MSRB receives the information by the dates specified in the Undertaking.

"*Annual Financial Information*" means information generally consistent with that contained in (i) the financial table "General Fund" under the caption "FINANCIAL DISCUSSION AND ANALYSIS—General Fund—*Selected Financial Information*;" (ii) the financial tables included under the caption "FINANCIAL DISCUSSION AND ANALYSIS—Property Taxes—*EAV and Property Taxes*," and "—*Use of City Property Tax Levy*;" (iii) the financial tables included under the caption

"GENERAL OBLIGATION DEBT" (except for the table "Short-Term Borrowings 2010-2016"); and (iv) tables 1 through 10 included in "RETIREMENT FUNDS—Payment for Pension Benefits" (said tables collectively referred to as the "Third-Party Sourced Retirement Fund Tables"). The information contained in the Third-Party Sourced Retirement Fund Tables is sourced from documents published by MEABF, PABF, FABF and LABF, and the City takes no responsibility for the accuracy and completeness of such information. If the information contained in the Third-Party Sourced Retirement Fund Tables is no longer publicly available or is not publicly available in the form, manner or time that the Annual Financial Information is required to be disseminated by the City, the City shall, as part of its Annual Financial Information for the year in which such a lack of availability arises, include a statement to that effect and to the effect that it will promptly file such information as it becomes available.

"*Audited Financial Statements*" means the audited basic financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time.

Annual Financial Information exclusive of Audited Financial Statements will be provided to the MSRB not more than 210 days after the last day of the City's fiscal year, which currently is December 31. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements will be included, and Audited Financial Statements will be filed within 30 days of availability to the City.

Reportable Events Disclosure

The City covenants that it will disseminate in a timely manner, not in excess of ten business days, to the MSRB the disclosure of the occurrence of a Reportable Event (defined below). Certain Reportable Events are required to be disclosed only to the extent that such Reportable Event is material, as materiality is interpreted under the Exchange Act. The "*Reportable Events*," certain of which may not be applicable to the Bonds, are:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, notices of proposed issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(g) modifications to rights of security holders, if material;

(h) bond calls, if material, and tender offers;

(i) defeasances;

(j) release, substitution or sale of property securing repayment of the securities, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the City (considered to have occurred in the following instances: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if the jurisdiction of the City has been assumed by leaving the City Council and the City's officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City);

(m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Consequences of Failure of the City to Provide Information

The City shall give notice in a timely manner to the MSRB of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due under the Undertaking.

In the event of a failure of the City to comply with any provision of the Undertaking, the Beneficial Owner of any Bond may seek mandamus or specific performance by court order to cause the City to comply with its obligations under the Undertaking. The Undertaking provides that any court action must be initiated in the Circuit Court. A default under the Undertaking shall not be deemed a default under the Bonds, the Bond Ordinance, or the Indenture, and the sole remedy under the Undertaking in the event of any failure of the City to comply with the Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of the Undertaking, the City may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) (i) the amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City or type of business conducted; (ii) the Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment or waiver does not materially impair the interests of the Beneficial Owners of the Bonds, as determined by a party unaffiliated with the City (such as the Trustee or Co-Bond Counsel), or by approving vote of the Beneficial Owners of the Bonds pursuant to the terms of the Indenture at the time of the amendment; or

(b) the amendment or waiver is otherwise permitted by the Rule.

EMMA

All documents submitted to the MSRB through EMMA pursuant to the Undertaking shall be in electronic format and accompanied by identifying information as prescribed by the MSRB, in accordance with the Rule. All documents submitted to the MSRB through EMMA will be word-searchable PDFs, configured to permit documents to be saved, viewed, printed and electronically retransmitted.

Termination of Undertaking

The Undertaking shall be terminated if the City shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Bond Ordinance or the Indenture.

Additional Information

Nothing in the Undertaking will be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event, in addition to that which is required by the Undertaking. If the City chooses to include any information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event in addition to that which is specifically required by the Undertaking, the City shall have no obligation under the Undertaking to update such information or include it in any future Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event.

Corrective Action Related to Certain Bond Disclosure Requirements

The City failed to comply with certain continuing disclosure undertakings previously entered into by it pursuant to the Rule as described below. Such non-compliance may or may not be material.

Annual financial information and audited financial statements were not filed by the City in 2011 for the Fiscal Year ended December 31, 2010, and in 2012 for the Fiscal Year ended December 31, 2011, with respect to the City's Chicago O'Hare International Airport General Airport Third Lien Revenue and Revenue Refunding Bonds, Series 2010A through Series 2010F. Annual financial information and audited financial statements were not filed by the City in 2011 for the Fiscal Year ended December 31, 2010, and in 2012 for the Fiscal Year ended December 31, 2011, with respect to the City's Chicago O'Hare International Airport General Airport Passenger Facility Charge Revenue and Revenue Refunding Bonds, Series 2010A through Series 2010D. On October 12, 2016, the City filed with EMMA such annual financial information and audited financial statements with respect to such bonds.

Annual financial information and audited financial statements were not filed by the City in 2012 for the Fiscal Year ended December 31, 2011 with respect to the City's Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2011A through Series 2011C. Annual financial information and audited financial statements were not filed by the City in 2012 for the Fiscal Year ended December 31, 2011 with respect to the City's Chicago O'Hare International Airport General Airport Passenger Facility Charge Revenue Bonds, Series 2011A and Series 2011B. On October 12, 2016, the City filed with EMMA such annual financial information and audited financial statements with respect to such bonds.

With respect to the City's Collateralized Single Family Mortgage Revenue Bonds, Series 2006A (the "*Series 2006A Bonds*"), S&P lowered its rating on the Series 2006A Bonds from "AA+" to "AA" and placed the Series 2006A Bonds on "Credit Watch with negative implications" effective

December 16, 2011. The City did not cause the trustee as dissemination agent to file a notice of a reportable event with EMMA at that time. Subsequently, S&P upgraded the rating on the Series 2006A Bonds from "AA" to "AA+" effective March 12, 2012. On March 18, 2012, S&P removed the "Credit Watch with negative implications" characterization from the Series 2006A Bonds. The City caused the trustee, as dissemination agent for the Series 2006A Bonds to file a notice of a reportable event with EMMA on March 26, 2012 disclosing the downgrade and subsequent upgrade of the Series 2006A Bonds by S&P.

With respect to the City's Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2011, American Airlines is an "obligated person" with respect to such bonds. On November 29, 2011, AMR Corporation (the parent company of American Airlines and American Eagle) and certain of its United States–based subsidiaries (including American Airlines and American Eagle) filed voluntary petitions for Chapter 11 reorganization in the United States Bankruptcy Court for the Southern District of New York. The City filed a notice with EMMA with respect to this event on March 30, 2012 (not within the ten business-day deadline imposed by the Rule). On December 9, 2013, American Airlines merged with US Airways. The City filed a notice with EMMA with respect to this event on August 25, 2014.

With respect to the City's Outstanding Motor Fuel Tax Revenue Bonds, the City's pledge of Additional City Revenues to the payment of such bonds (in addition to the pledge of Motor Fuel Tax Revenues) became effective as of March 19, 2013. The City filed a notice with EMMA describing the pledge of this additional source of revenue on May 16, 2013.

With respect to the City's outstanding O'Hare International Airport Customer Facility Charge Senior Lien Revenue Bonds, Series 2013, Simply Wheelz, LLC d/b/a Advantage Rent A Car ("*Advantage*") is an "obligated person" with respect to such bonds. Advantage filed a voluntary bankruptcy petition in the Southern District of Mississippi on November 5, 2013. The City filed a notice with EMMA with respect to this event on December 5, 2013.

The rating agencies took certain rating actions with respect to the ratings of Ambac Assurance Corporation and Financial Security Assurance Inc. (collectively, the "*Bond Insurers*"). The Bond Insurers provided municipal bond insurance policies relating to certain series of the City's Chicago Midway Airport revenue bonds. Event notices with respect to such rating changes were not filed with EMMA. The City made such filings on May 22, 2014.

Ambac provided a municipal bond insurance policy relating to the City's Motor Fuel Tax Revenue Bonds, Series 2003A and Assured Guaranty Corp. provided municipal bond insurance policies relating to the City's Motor Fuel Tax Revenue Bonds, Series 2008. Event notices with respect to the rating changes taken by the rating agencies with respect to these insurers were not filed. The City made filings with EMMA on June 3, 2014 and August 22, 2014 with respect to these rating changes.

The City failed to file material event notices with respect to certain rating changes affecting the City's bonds subject to the Rule and for which the City is an "obligated person" under the Rule (collectively, the "*Prior Bonds*") or affecting bond insurance companies which insured any Prior Bonds (collectively the "*Prior Bond Insurers*"). The City filed with EMMA on August 29, 2014 a notice with respect to all rating changes known to the City affecting the Prior Bonds occurring over the last ten years. The City filed with EMMA on August 27, 2014 a notice with respect to all rating changes, known to the City and affecting the Prior Bond Insurers, occurring during the last seven years.

On January 15, 2016, S&P upgraded the rating of the City's Midway Second Lien Bonds from A- to A. On May 17, 2016, the City filed with EMMA an event notice relating to this upgrade.

MISCELLANEOUS

The summaries or descriptions contained herein of provisions of the Indenture and the Undertaking and all references to other materials not purporting to be quoted in full, are qualified in their entirety by reference to the complete provisions of the documents and other materials summarized or described. Copies of these documents may be obtained from the office of the Chief Financial Officer.

The Bonds are authorized and are being issued pursuant to the City Council's approval under the powers of the City as a home rule unit under Article VII of the Illinois Constitution.

CITY OF CHICAGO

By: /s/ Carole L. Brown
Carole L. Brown
Chief Financial Officer

APPENDIX A

SUMMARY OF THE INDENTURE

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SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture to which reference is made for a complete statement of the provisions and contents thereof. Copies of the Indenture are available for review prior to the sale and delivery of the Bonds at the office of the City's Chief Financial Officer and thereafter at the office of the Trustee.

Glossary of Terms

The following are definitions of certain terms used in the Indenture and this Official Statement. This glossary is provided for the convenience of the reader and does not purport to be comprehensive or definitive. All references herein to terms defined in the Indenture are qualified in their entirety by the definitions set forth in the Indenture.

"*Authorized Denomination*" means $5,000 and any integral multiple thereof.

"*Authorized Officer*" means the Chief Financial Officer or the City Comptroller.

"*Beneficial Owner*" means the owner of a beneficial interest in the Bonds registered in the name of Cede & Co., as nominee of DTC (or a successor securities depository or nominee for either of them).

"*Bond Counsel*" means the firm of Schiff Hardin LLP, Chicago, Illinois, and the firm of Sanchez Daniels & Hoffman, Chicago, Illinois, or any other firm or firms of nationally recognized bond counsel designated by the Corporation Counsel of the City.

"*Bond Fund*" means the City of Chicago General Obligation Bonds, Series 2017AB Bond Fund established and described in the Indenture.

"*Bondholder*," "*holder*," or "*owner of the Bonds*" means the Registered Owner or Beneficial Owner of any Bond, as the case may be.

"*Bond Ordinance*" means the ordinance duly adopted by the City Council of the City on October 5, 2016 authorizing the issuance of the Bonds.

"*Bond Register*" means the registration books of the City kept by the Trustee to evidence the registration and transfer of Bonds.

"*Bond Year*" means a 12-month period commencing on January 2 of each calendar year and ending on January 1 of the next succeeding calendar year.

"*Bonds*" means the Series 2017A Bonds and the Series 2017B Bonds.

"*Business Day*" means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions located in the city where the Designated Corporate Trust Office of the Trustee is located are authorized or required by law or executive order to close, and (iii) a day on which The New York Stock Exchange, Inc. is closed.

"*Certificate*" means an instrument of the City in writing signed by an Authorized Officer. Any such instrument in writing and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed so as to form a single instrument. Any such instrument may be based, insofar as it relates to legal, accounting or engineering matters, upon the opinion or representation of counsel, accountants, or engineers, respectively, unless the officer signing such instrument knows that the opinion or representation with respect to the matters upon which such instrument may be based, as aforesaid, is erroneous. The same Authorized Officer, or the same counsel or accountant or other persons, as the case may be, need not certify to all of the matters required to be certified under any provision of the Indenture or any Supplemental Indenture, but different officers, counsel, accountants or other persons may certify to different matters, respectively.

"*Chief Financial Officer*" means the Chief Financial Officer appointed by the Mayor, or the City Comptroller of the City at any time a vacancy exists in the office of the Chief Financial Officer.

"*City*" means the City of Chicago, a municipal corporation and home rule unit of local government, organized and existing under the Constitution and laws of the State.

"*City Clerk*" means the duly qualified and acting City Clerk of the City or any Deputy City Clerk or other person that may lawfully take a specific action or perform a specific duty prescribed for the City Clerk pursuant to the Bond Ordinance.

"*City Comptroller*" means the City Comptroller of the City.

"*City Council*" means the City Council of the City.

"*Code*" means the United States Internal Revenue Code of 1986, as amended. References to the Code and to Sections of the Code shall include relevant final, temporary or proposed regulations thereunder as in effect from time to time and as applicable to obligations issued on the Date of Issuance.

"*Contract of Purchase*" means the bond purchase agreement(s) with respect to the sale of the Bonds to, or at the direction of, the Underwriters.

"*Date of Issuance*" means the date of issuance and delivery of the Bonds to the initial purchasers thereof.

"*Defeasance Obligations*" means: (1) direct obligations of the United States of America, (2) obligations of agencies of the United States of America, the timely payment of principal of and interest on which are guaranteed by the United States of America, (3) obligations of the following government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government: Federal Home Loan Mortgage Corp. (FHLMC) debt obligations, Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives) debt obligations, Federal Home Loan Banks (FHL Banks) debt obligations, Fannie Mae debt obligations, Financing Corp. (FICO) debt obligations, Resolution Funding Corp. (REFCORP) debt obligations, and U.S. Agency for International Development (U.S. A.I.D.) Guaranteed notes, (4) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, or (5) instruments evidencing an ownership interest in obligations described in the preceding clauses (1), (2), and (3).

"*Delivery Office*" shall mean the following offices of the Trustee:

For Notice Purposes:
Zions Bank, a division of ZB, National Association
111 W. Washington Street, Suite#1860
Chicago, Illinois 60602
Attn: Daryl Pomykala, Vice President/Senior Account Executive

For Presentation of Bonds for payment or transfers:
Zions Bank, a division of ZB, National Association
One South Main Street, Suite# 1200
Salt Lake City, Utah 84133
Attn: Corporate Trust Services

"*Designated Corporate Trust Office*" means the corporate trust office of the Trustee located at the address of the Trustee set forth in the definition of "Delivery Office" in the Indenture, as such address may be changed from time to time by the Trustee.

"*DTC*" means The Depository Trust Company, New York, New York, or its nominee, and its successors and assigns, or any other depository performing similar functions.

"*Federal Obligation*" means any direct obligation of, or any obligation the full and timely payment of principal of and interest on which is guaranteed by, the United States of America.

"*Fitch*" means Fitch Ratings Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated, or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

"*Indenture*" means the Trust Indenture dated as of February 1, 2017, between the City and the Trustee with respect to the Series 2017A Bonds and the Series 2017B Bonds.

"*Interest Paid Bonds*" means those certain outstanding general obligation bonds of the City as described in APPENDIX F of this Official Statement.

"*Interest Payment Date*" means each January 1 and July 1, commencing July 1, 2017.

"*Kroll*" means Kroll Bond Rating Agency, its successors and assigns, and, if Kroll shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Kroll" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

"*Maturity Date*" means, for the Bonds of a Series and subseries of each specified maturity, the applicable maturity date set forth on the inside front cover.

"*Mayor*" means the Mayor of the City.

"*Municipal Code*" means the Municipal Code of Chicago, as from time to time amended.

"*Opinion of Bond Counsel*" means a written opinion of Bond Counsel in form and substance acceptable to the City.

"*Outstanding*" means, when used with reference to any Bonds of any Series, all of such obligations issued under the Indenture that are unpaid, provided that such term does not include:

(a) Bonds of such Series canceled at or prior to such date or delivered to or acquired by the Trustee or Paying Agent at or prior to such date for cancellation;

(b) matured or redeemed Bonds of such Series which have not been presented for payment in accordance with the provisions of the Indenture and for the payment of which the City has deposited funds with the Trustee or the Paying Agent;

(c) Bonds of such Series for which the City has provided for payment by depositing in an irrevocable trust or escrow, cash or Defeasance Obligations, in each case, the maturing principal of and interest on which will be sufficient to pay at maturity, or if called for redemption on the applicable redemption date, the principal of, redemption premium, if any, and interest on such Bonds;

(d) Bonds of such Series in lieu of or in exchange or substitution for which other Bonds of such Series shall have been authenticated and delivered pursuant to the Indenture; and

(e) Bonds of such Series owned by the City and tendered to the Trustee for cancellation.

"*Paying Agent*" means the Trustee and any Paying Agent designated by the Trustee, and any successor thereto.

"*Permitted Investments*" means any of the following obligations or securities permitted under the laws of the State and the Municipal Code:

(a) interest-bearing general obligations of the United States of America, the State or the City;

(b) United States treasury bills and other non-interest bearing general obligations of the United States of America when offered for sale in the open market at a price below the face value of same, so as to afford the City a return on such investment in lieu of interest;

(c) short-term discount obligations of the United States Government or United States Government agencies;

(d) certificates of deposit of national banks or banks located within the City which are either (i) fully collateralized at least 110 percent by marketable United States Government securities marked to market at least monthly or (ii) secured by a corporate surety bond issued by an insurance company licensed to do business in the State and having a claims-paying rating in the top rating category as rated by a nationally recognized statistical rating organization and maintaining such rating during the term of such investment;

(e) banker's acceptances of banks and commercial paper of banks whose senior obligations are rated in the top two short-term rating categories by at least two national rating agencies and maintaining such rating during the term of such investment;

(f) tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the City's tax-exempt debt obligations; and

(g) domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission, including any such fund for which the Trustee or any of its affiliates provides any service including any service for which a fee may be paid.

"*Principal and Interest Account*" means the "Series 2017AB Principal and Interest Account" established within the Bond Fund for such Series as described below under "—Funds and Accounts—*Bond Fund.*"

"*Principal and Interest Account Requirement*" means an amount equal to the total principal installment and interest due on the Bonds as of each January 1 and July 1 (including any mandatory redemption of the Series 2017A Bonds), which amount shall be deposited in the Principal and Interest Account not later than the Business Day prior to each Interest Payment Date.

"*Qualified Collateral*" means:

(a) Federal Obligations;

(b) direct and general obligations of any state of the United States of America or any political subdivision of the State which are rated not less than "AA" or "Aa2" or their equivalents by any nationally recognized securities rating agency; and

(c) public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or project notes issued by public housing authorities, or project notes issued by local public agencies, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America.

"*Rating Agency*" means any of Fitch, S&P and Kroll, or another rating agency that has a credit rating assigned to the Bonds at the request of the City.

"*Record Date*" means each June 15 and December 15 (whether or not a Business Day).

"*Redemption Price*" means (i) in the case of an optional redemption of Series 2017A Bonds or a mandatory redemption of Bonds, 100% of the principal amount thereof plus accrued interest, if any, on the Bonds to be redeemed to the date of redemption and (ii) in the case of optional redemption of the Series 2017B Bonds, the Make-Whole Redemption Price.

"*Refunded Bonds*" means those certain outstanding general obligation bonds of the City as described in APPENDIX F of this Official Statement

"*Registered Owner*" or "*Owner*" means the person or persons in whose name or names a Bond shall be registered in the Bond Register.

"*Securities Depository*" means DTC and any other securities depository registered as a clearing agency with the Securities and Exchange Commission pursuant to Section 17A of the Securities Exchange Act of 1934, as amended, and appointed as the securities depository for the Bonds.

"*S&P*" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, its successors and assigns, and, if S&P shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

"*Series*" means either the Series 2017A Bonds or the Series 2017B Bonds, as applicable.

"*Series 2017A Capitalized Interest Account*" means the account of that name established within the Bond Fund and described below under "—Funds and Accounts—*Series 2017A Capitalized Interest Account.*"

"*State*" means the State of Illinois.

"*Supplemental Indenture*" means any indenture modifying, altering, amending, supplementing or confirming the Indenture duly entered into in accordance with the terms thereof.

"*Tax Agreement*" means the Tax Exemption Certificate and Agreement of the City, dated the date of issuance of the Bonds.

"*Trust Estate*" means the property conveyed to the Trustee pursuant to the Granting Clauses of the Indenture.

"*Trustee*" means Zions Bank, a division of ZB, National Association, a national banking association with trust powers, and its successors and any entity resulting from or surviving any consolidation or merger to which it or its successors may be a party, and any successor Trustee at the time serving as successor trustee under the Indenture.

"*Underwriters*" means an underwriter or group of underwriters selected by the City pursuant to the Bond Ordinance and set forth on the front cover of the Official Statement.

Source of Payment of Bonds

Pursuant to the Bond Ordinance, the Bonds constitute direct and general obligations of the City for the payment of which the City pledges its full faith and credit. See "SECURITY FOR THE BONDS."

Funds and Accounts

Bond Fund

Pursuant to the Indenture, the City has established with the Trustee a separate trust fund designated "City of Chicago General Obligation Bonds, Series 2017AB Bond Fund". At each such time as required under the Indenture, the City shall deposit into the Bond Fund, from funds of the City legally available therefor, an amount sufficient to satisfy the Principal and Interest Account Requirement. Money on deposit in the Bond Fund shall be applied by the Trustee to pay the principal of (whether due at maturity or by mandatory redemption) and interest on the Bonds, as the same become due. Pending the use of moneys held in a Bond Fund, the Trustee shall invest such moneys in Permitted Investments upon the direction of an Authorized Officer or any person designated by an Authorized Officer. Income from such investments shall be credited to the Bond Fund. The Indenture also provides for an account within the Bond Fund, designated as the "Series 2017AB Principal and Interest Account" (the "*Principal and Interest Account*") to be used in connection with the redemption of any Bonds.

Not later than the Business Day prior to each Interest Payment Date (each such date referred to herein as the "*Deposit Date*"), there shall be on deposit in the Bond Fund an amount equal to the Principal and Interest Account Requirement (such amount with respect to any Deposit Date being referred to herein as the "*Deposit Requirement*").

In addition to the Deposit Requirement, there shall be deposited into the Bond Fund any other moneys received by the Trustee under and pursuant to the Indenture, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Bond Fund and to one or more accounts therein.

Upon calculation by the Trustee of each Deposit Requirement, the Trustee shall notify the City of the Deposit Requirement, along with the Deposit Date to which it relates, and shall provide the City with such supporting documentation and calculations as the City may reasonably request.

Pending the use of moneys held in a Bond Fund, the Trustee shall invest such moneys in Permitted Investments upon the direction of an Authorized Officer or any person designated by an Authorized Officer. Income from such investments shall be retained in such Bond Fund.

Series 2017A Capitalized Interest Account

Pursuant to the Indenture, the City has established with the Trustee a trust account within the Bond Fund, designated as the "Series 2017A Capitalized Interest Account" with respect to the Bonds, to hold certain proceeds of sale of such Series.

Moneys on deposit in the Series 2017A Capitalized Interest Account shall be withdrawn by the Trustee on the Business Day prior to each of the Interest Payment Dates occurring on and before January 2, 2020 and deposited into the Bond Fund for application to the payment of the interest due on the applicable Series of Bonds on such Interest Payment Dates.

Pending the use of moneys held in the Series 2017A Capitalized Interest Account, the Trustee shall invest such moneys in Permitted Investments upon the direction of an Authorized Officer or any person designated by an Authorized Officer. Income from such investments shall be retained in the Series 2017A Capitalized Interest Account. Any amount remaining in the Series 2017A Capitalized Interest Account on January 2, 2020, shall be withdrawn therefrom and deposited into the Bond Fund.

Supplemental Indentures

A Supplemental Indenture may be authorized at any time by ordinance of the City Council and shall be fully effective upon compliance with the provisions of the Indenture, in accordance with its terms and not subject to consent by the Owners of the Bonds for the following purposes: (a) to add to the covenants and agreements of the City in the Indenture other covenants and agreements to be observed by the City which are not contrary to or inconsistent with the Indenture as theretofore in effect; (b) to add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the Indenture as theretofore in effect; (c) to surrender any right, power or privilege reserved to or conferred upon the City by the terms of the Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the City contained in the Indenture; (d) to confirm, as further assurance, the pledge under the Indenture, and the subjection of, additional properties, taxes or other collateral to any lien, claim or pledge created or to be created by, the Indenture; (e) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture; (f) to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect; or (g) to provide additional duties of the Trustee under the Indenture.

The Indenture shall not be modified or amended in any respect except as provided therein. Nothing in the Indenture shall affect or limit the right or obligation of the City to adopt, make, do, execute, acknowledge or deliver any ordinance, resolution, act or other instrument pursuant to the provisions of the Indenture or the right or obligation of the City to execute and deliver to the Trustee any instrument which is required to be delivered to the Trustee pursuant to the Indenture.

Every Supplemental Indenture delivered to the Trustee for execution shall be accompanied by an opinion of counsel stating that such Supplemental Indenture has been duly and lawfully authorized by the City Council and executed by the City in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture, and will, when executed and delivered by the Trustee, be valid and binding upon the City and enforceable in accordance with its terms.

The Trustee is authorized to enter into, execute and deliver a Supplemental Indenture and to make all further agreements and stipulations which may be therein contained, and the Trustee in taking such action shall be fully protected in relying on an opinion of counsel that such Supplemental Indenture is authorized or permitted by the provisions of the Indenture.

No Supplemental Indenture shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

No Supplemental Indenture shall take effect unless and until there has been delivered to the Trustee an Opinion of Bond Counsel to the effect that such Supplemental Indenture does not adversely affect the exclusion from gross income for federal income tax purposes to which interest on the Series 2017 Bonds would otherwise be entitled.

Supplemental Indentures Requiring Bondholder Consent

At any time or from time to time, a Supplemental Indenture may be authorized by an ordinance adopted by the City Council, subject to consent by the owners of the Bonds in accordance with and subject to the provisions of the Indenture, which Supplemental Indenture, upon the filing with the Trustee of a copy of such ordinance certified by the City Clerk, upon compliance with the provisions of the Indenture, and upon execution and delivery of such Supplemental Indenture by the City and the Trustee, shall become fully effective in accordance with its terms.

Any modification or amendment of the Indenture or of the rights and obligations of the City and of the owners of the Bonds, in particular, which requires the consent of the Bondholders, may be made by a Supplemental Indenture, with the written consent given as provided in the Indenture: (a) of the Owners of a majority in principal amount of the Bonds Outstanding at the time such consent is given; or (b) in case less than all of the then Outstanding Bonds are affected by the modification or amendment, of the Owners of a majority in principal amount of the then Outstanding Bonds so affected. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bonds or of any installment of interest thereon or a reduction in the principal amount or the applicable Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. A Bond shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Owners of such Bond.

Default and Remedies

Each of the following events is an "Event of Default" under the Indenture:

(a) payment of the principal or Redemption Price of any Bonds shall not be made when and as the same shall become due, whether at maturity or upon call for redemption or otherwise;

(b) payment of any installment of interest on any Bonds shall not be made when and as the same shall become due; or

(c) the City shall fail or refuse to comply with the provisions of the Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, which materially affects the rights of the owners of the Bonds and such failure, refusal or default shall continue for a period of 45 days after written notice thereof by the Trustee or the owners of not less than 25 percent in principal amount of the Outstanding Bonds; provided, however, that in the case of any such default which can be cured by due diligence but which cannot be cured within the 45-day period, the time to cure shall be extended for such period as may be necessary to remedy the default with all diligence.

Upon the happening and continuance of any Event of Default specified in paragraph (a) or (b) above, the Trustee shall proceed, or upon the happening and continuance of any Event of Default (beyond the time periods specified therein) specified in paragraph (c) above, the Trustee may proceed, and upon the written request of the owners of not less than 25 percent in principal amount of the Outstanding Bonds, shall proceed, in its own name, to protect and enforce its rights and the rights of the owners of the Bonds by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(i) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the Bonds including the right to require the City to receive and collect taxes adequate to carry out the covenants and agreements as to such taxes and to require the City to carry out any other covenant or agreement with the owners of the Bonds and to perform its duties under the Indenture;

(ii) by bringing suit upon the Bonds;

(iii) by action or suit in equity, require the City to account as if it were the trustee of an express trust for the owners of the Bonds; and/or

(iv) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds.

In the enforcement of any rights and remedies under the Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the City but only out of moneys pledged as security for the Bonds for principal, Redemption Price, interest or otherwise, under any provision of the Indenture or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture and under such Bonds without prejudice to any other right or remedy of the Trustee or of the owners of the Bonds, and to recover and enforce a judgment or decree against the City for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available under the Indenture for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

Under no circumstance may the Trustee declare the principal of or interest on the Bonds to be due and payable prior to the Maturity Date following the occurrence of an Event of Default under the Indenture.

Resignation or Removal of the Trustee; Successors

The Trustee may at any time resign and be discharged of its duties and obligations created by the Indenture by giving not fewer than 60 days' written notice to the City and mailing notice thereof to the owners of the Bonds at their addresses shown on the registration books kept by the Trustee within 20 days after the giving of such written notice. Such resignation shall take effect upon the appointment and acceptance of appointment of a successor by the City or the Owners of Bonds as provided in the Indenture.

The Trustee may be removed at any time by the Owners of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the City, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Owners or by their attorneys duly authorized in writing and delivered to the City. Copies of each such instrument shall be delivered by the City to the Trustee and any successor. The City may remove the Trustee at any time, except during the existence of an Event of Default, for such cause (or upon 30 days' notice for any reason) as shall be determined in the sole discretion of the City by filing with the Trustee an instrument signed by an Authorized Officer and by mailing notice thereof to the Owners of the Bonds at their addresses shown on the registration books kept by the Trustee. Any removal of the Trustee shall take effect upon the appointment and acceptance of appointment of a successor Trustee.

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the City, by an instrument or concurrent instruments in writing signed by such Owners or their attorneys duly authorized in writing and delivered to such successor Trustee, notification thereof being given to the City and the predecessor Trustee. Pending such appointment, the City shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee (if any) shall be appointed by the Owners of the Bonds as authorized in the Indenture. The City shall mail notice to Owners of Bonds of any such appointment within 20 days after such appointment. Any successor Trustee appointed by the City shall, immediately and without further act, be superseded by a Trustee appointed by the Owners of the Bonds. If in a proper case no appointment of a successor Trustee shall be made within 45 days after the Trustee shall have given to the City written notice of resignation or after the occurrence of any other event requiring or authorizing such appointment, the Trustee, or any Owner of the Bonds, may apply to any court of competent jurisdiction to appoint a successor. Said court may thereupon, after such notice, if any, as said court may deem proper and prescribe, appoint such successor Trustee. Any Trustee appointed shall be a bank, trust company or national banking association, in any such case having corporate trust powers, doing business and having a corporate trust office in the City.

Any successor Trustee appointed under the Indenture shall execute, acknowledge and deliver to its predecessor Trustee, and also to the City, a written instrument of acceptance respecting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the request of the City, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Should any deed, conveyance or instrument in writing from the City be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the City.

Defeasance

The Indenture provides that if the City will pay to the Registered Owners of the Bonds or provide for the payment of, the principal of and interest to become due on the Bonds, then the Indenture and the Bond Ordinance will be fully discharged and satisfied with respect to the related Series of Bonds. Upon the satisfaction and discharge of the Indenture, the Trustee will, upon the request of the City, execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and all fiduciaries will pay over or deliver to the City all funds, accounts and other moneys or securities held by them pursuant to the Indenture which are not required for the payment or redemption of the Bonds. If payment or provision for payment is made, to or for the Registered Owners of all or a portion of the Bonds, of the principal of and interest due and to become due on any Bond at the times and in the manner stipulated therein, and there is paid or caused to be paid to the related Trustee, all sums of money due and to become due according to the provisions of the Indenture, then the estate and rights thereby granted under the Indenture and the Bond Ordinance shall cease, terminate and be void as to those Bonds or portions thereof except for purposes of registration, transfer and exchange of Bonds and any such payment from such moneys or obligations. Any Bond will be deemed to be paid when payment of the principal of such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Indenture or otherwise), either (a) will have been made or caused to have been made in accordance with the terms thereof, or (b) will have been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (1) cash sufficient to make such payment or (2) Defeasance Obligations, or (3) a combination of cash and Defeasance Obligations, such amounts so deposited being available or maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will insure the availability of sufficient moneys to make such payment (as confirmed by a nationally recognized firm of independent public accountants). If the City pays and discharges a portion of the Bonds as aforesaid, such portion shall cease to be entitled to any lien, benefit or security under the Indenture and the Bond Ordinance. The liability of the City with respect to such Bonds will continue, but the Registered Owners thereof shall thereafter be entitled to payment (to the exclusion of all other Bondholders) only out of the cash and Defeasance Obligations deposited with the Trustee under the Indenture.

No deposit pursuant to the paragraph above shall be made or accepted with respect to the Series 2017A Bonds and no use made of any such deposit unless the Trustee shall have received an Opinion of Bond Counsel to the effect that such deposit and use would not cause any of such Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code or any successor provision thereto.

A defeasance deposit of Defeasance Obligations may be subject to a subsequent sale of such Defeasance Obligations and reinvestment of all or a portion of the proceeds of that sale in Defeasance Obligations which, together with money to remain so held in trust, shall be sufficient (as confirmed by a nationally recognized firm of independent public accountants) to provide for payment of principal of and interest on any of the defeased Bonds. Amounts held by the Trustee in excess of the amounts needed so to provide for payment of the defeased Bonds may be subject to withdrawal by the City.

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APPENDIX B

ECONOMIC AND DEMOGRAPHIC INFORMATION

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ECONOMIC AND DEMOGRAPHIC INFORMATION

Set forth below is certain economic and demographic information regarding the City. Sources of information are set forth in footnotes at the end of this Appendix. With respect to non-City sources, the City considers these sources to be reliable but has made no independent verification of the information provided and does not warrant its accuracy.

Economy

The Chicago metropolitan area has a population of 9.5 million people, with over 4.6 million employees.[1, 2] Chicago's large and diverse economy contributed to a gross regional product of more than $640 billion in 2015.[3]

Chicago's transportation and distribution network offers access to air, rail, and water, with two ports capable of handling ocean-going ships and barges, and an airport system that moved over 1.7 million tons of freight, mail, and goods in 2015.[4] The City's airports are hubs for three of the four largest airlines in the U.S.[5] Chicago is the only region served by six of seven largest freight railroads.[6]

The Chicago metropolitan area's largest industry sectors by employment include trade, transportation and utilities, professional and business services, education and health services, government, leisure and hospitality and manufacturing.[7] The City benefits from a concentration of talent in legal, engineering, and financial services, and from a growing population in the City center.[8] A record 52.75 million tourists visited Chicago in 2015.[9]

Population

Chicago is home to over 2.7 million people that live in more than one million households.[10] The City's population increased nearly 1.0 percent since the 2010 Census.[11]

The population of the United States, the State of Illinois, Cook County and the City for the census years from 1980 to 2010 and the estimate for 2015 is set forth below.

POPULATION[12]
1980—2015

Year	United States	State of Illinois	Cook County	Chicago
1980	226,545,805	11,427,409	5,253,655	3,005,072
1990	248,709,873	11,430,602	5,105,067	2,783,726
2000	281,421,906	12,419,293	5,376,741	2,896,016
2010	308,745,538	12,830,632	5,194,675	2,695,598
2015 Estimate	321,418,820	12,859,995	5,238,216	2,720,546

35.6 percent of Chicago's residents (age 25 or older) have bachelor's degrees, which is higher than the national average of 29.8 percent.[13]

Per Capita Income and Wages

The per capita personal income (estimated annual earnings) for the United States, the State of Illinois, Cook County and the Chicago MSA is set forth below for the years 2006 through 2015.

PER CAPITA INCOME[14]
2006—2015

Year	United States	State of Illinois	Chicago MSA[15]	Cook County
2006	$38,144	$40,124	$43,428	$43,642
2007	39,821	42,265	45,763	46,662
2008	41,082	43,358	46,488	47,176
2009	39,376	40,994	43,264	43,289
2010	40,277	41,699	43,803	43,664
2011	42,453	43,718	45,807	45,332
2012	44,267	45,638	48,281	47,872
2013	44,462	46,610	49,057	49,141
2014	46,414	48,508	51,597	52,380
2015	48,112	50,295	53,886	54,714

Note: In 2016 the U.S. Bureau of Economic Analysis revised state- and local-level historical personal income data for the period since 1998.[16,17] The figures presented here reflect the revised data and thus are not consistent with the City's past Official Statements.

Chicago's 2015 median household income is $48,522, compared to $57,574 in Illinois and $56,516 in the U.S., and Chicago ranks 29th among other metropolitan areas in the cost of living.[18, 19]

Employment

Total employment for the State of Illinois, the Chicago MSA, Cook County and the City for the years 2006 through 2015 (and preliminary partial year 2016 employment data) is set forth below.

EMPLOYMENT (in thousands)
2006 – September 2016

Year	State of Illinois[20]	Chicago MSA[21]	Cook County[22]	Chicago[23]
2006	6,310	4,639	2,481	1,242
2007	6,344	4,659	2,483	1,245
2008	6,073	4,483	2,386	1,200
2009	5,863	4,287	2,281	1,149
2010	5,947	4,357	2,348	1,202
2011	5,970	4,408	2,378	1,217
2012	5,996	4,455	2,409	1,233
2013	5,999	4,472	2,416	1,236
2014	6,094	4,561	2,469	1,264
2015	6,142	4,617	2,495	1,277
2016(1)	6,205	4,679	2,521	1,291

(1) Preliminary September 2016 data.

The annual unemployment rates (percent of population, not seasonally adjusted) for the United States, the State of Illinois, Cook County, the Chicago MSA and the City is set forth below for the years 2005 through 2015.

ANNUAL UNEMPLOYMENT RATES[24]
2005—2015

Year	United States	State of Illinois	Chicago MSA	Cook County	Chicago
2005	5.1%	5.7%	5.9%	6.4%	7.1%
2006	4.6	4.5	4.6	4.9	5.4
2007	4.6	5.0	4.9	5.3	5.8
2008	5.8	6.3	6.1	6.4	7.0
2009	9.3	10.2	10.2	10.5	11.1
2010	9.6	10.4	10.6	10.9	11.2
2011	8.9	9.7	9.9	10.4	10.8
2012	8.1	9.0	9.1	9.6	10.0
2013	7.4	9.1	9.0	9.6	10.0
2014	6.2	7.1	7.0	7.4	7.7
2015	5.3	5.9	5.8	6.1	6.4

The percentage of total (nonfarm) employment by sector for the Chicago MSA, State of Illinois and the United States for September 2016 is shown in the following table.

PERCENTAGE OF TOTAL NON-FARM EMPLOYMENT BY MAJOR INDUSTRY SECTOR
September 2016

Sector	United States[25]	Illinois[26]	Chicago Metropolitan Division[27]
Trade, Transportation and Utilities	18.9%	20.1%	19.8%
Education and Health Services	15.7	15.2	15.5
Government	15.4	13.9	11.5
Professional and Business Services	14.0	15.7	18.9
Leisure and Hospitality	10.8	9.9	10.2
Manufacturing	8.5	9.4	7.5
Financial Activities	5.8	6.2	6.7
Construction	4.6	3.5	3.6
Other Services	3.9	4.3	4.4
Information	1.9	1.6	1.9
Mining and Logging	0.5	0.1	0.0
Total	100.0%	100.0%	100.0%

Note: totals may not add due to rounding.

The City's average annual unemployment rate decreased from 11.2 percent in 2010 to 6.4 percent in 2015, while statewide, Illinois' unemployment rate dropped from 10.4 percent in 2010 to 5.9 percent in 2015.[28] In 2015, the Chicago Metropolitan Division's average unemployment rate was 5.8 percent.[29]

Employers

The Chicago MSA has 31 Fortune 500 headquarters.[30] The City was named the "Top Metro" for corporate relocation and investment in 2016 (for the 3rd year in a row) by Site Selection magazine.[31] For the third year in a row, the Chicago metropolitan area leads the U.S. in foreign direct investment (FDI) according to the 2016 IBM Global Location Trends report. The annual report, which outlines the latest trends in corporate location selection, found that Chicago's rank has risen a spot to seventh globally and is the only North American metro area in the global top 20.[32]

The companies employing the greatest number of workers in the Chicago MSA as of the end of 2015 are set forth below.

LARGEST EMPLOYERS IN CHICAGO MSA[33]
2015

Employer	Number of Employees	Percentage of Total Employment
Advocate Health Care	18,308	1.44%
University of Chicago	16,197	1.27
Northwestern Memorial Healthcare	15,317	1.20
JPMorgan Chase	14,158	1.11
United Continental Holdings, Inc.	14,000	1.10
Health Care Service Corporation	13,006	1.02
Walgreens Boots Alliance, Inc.	13,006	1.02
Presence Health	10,500	0.82
Abbott Laboratories	10,000	0.79
Northwestern University	9,708	0.76

Top Taxpayers

The top property taxpayers in the City based on 2014 Equalized, Assessed Value (EAV) are shown in the following table.

TOP TEN PROPERTY TAXPAYERS 2014[34]
($ in thousands)

Rank	Property	2014 EAV	% of Total EAV
1	Willis Tower	$ 364,454	0.56%
2	AON Building	241,080	0.37
3	Blue Cross Blue Shield Tower	206,782	0.32
4	Water Tower Place	195,486	0.30
5	Chase Plaza	194,963	0.30
6	Franklin Center	187,460	0.29
7	Prudential Plaza	184,102	0.28
8	300 N. LaSalle	183,764	0.28
9	Three First National Plaza	182,085	0.28
10	Citadel Center	181,211	0.28
	Total	$2,121,387	3.26%

As shown in the table, the top ten taxpayers account for less than 4 percent of the City's total tax base.

Transportation

According to statistics compiled by Airports Council International in 2015, O'Hare ranked fourth worldwide and second in the United States in terms of total passengers while Midway ranked 25th in the United States.[35] According to the Chicago Department of Aviation, in 2015 O'Hare and Midway had 76.9 and 22.2 million in total passenger volume, respectively. O'Hare supports substantial international service with international passengers constituting approximately 14 percent of total enplaned passengers in 2015.[36]

The Chicago Transit Authority operates the second largest public transportation system in the nation, with: 1,888 buses operating over 130 routes and 1,301 route miles, making 18,843 trips per day and serving 10,813 bus stops; 1,492 rail cars operating over eight routes and 224.1 miles of track, making 2,276 trips each day and serving 145 stations; and 1.6 million rides on an average weekday and over 515 million rides a year (bus and train combined).[37]

Schools

The Chicago Public School system is the third largest school district in the nation, serving approximately 396,683 students.[38] CPS is comprised of 422 elementary schools, 95 high schools, 11 contract schools, and 130 charter school campuses.[39] The City Colleges of Chicago operate seven colleges and serve over 100,000 students.[40]

Cultural Attractions

Chicago is home to 56 museums, over 125 art galleries and over 20 neighborhood art centers. The City has 8,100 acres of green space with 580 parks and 26 beaches.[41]

Government

The number of full-time employees of the City for the years 2007 through 2016 is included in the following table.

CITY FULL-TIME EMPLOYEES[42]
2007—2016

Year	Budgeted Full-Time Equivalent Positions
2007	40,264
2008	40,108
2009	37,485
2010	36,970
2011	36,617
2012	33,744
2013	33,554
2014	34,045
2015	34,129
2016	34,327

Housing Market

The monthly home sales and the median home sale prices for Chicago for the years 2010 through October, 2016 are shown in the following tables.

CHICAGO MONTHLY HOME SALES[43]
2010—October 2016

	2010	2011	2012	2013	2014	2015	2016
January	1,202	1,034	1,123	1,485	1,383	1,295	1,363
February	1,225	1,056	1,250	1,378	1,361	1,448	1,528
March	1,814	1,450	1,664	1,894	1,819	2,118	2,099
April	1,984	1,466	1,816	2,331	2,210	2,386	2,628
May	2,057	1,703	2,125	2,762	2,390	2,700	2,887
June	2,526	1,841	2,332	2,623	2,761	3,110	3,210
July	1,588	1,655	2,164	2,838	2,664	2,989	2,714
August	1,486	1,787	2,293	2,797	2,414	2,629	2,770
September	1,403	1,498	1,906	2,352	2,187	2,358	2,336
October	1,216	1,312	2,076	2,231	2,082	2,109	1,981
November	1,144	1,429	1,798	1,800	1,632	1,615	
December	1,444	1,576	1,849	2,080	1,992	2,029	

CHICAGO MEDIAN HOME SALE PRICES[44]
2010—October 2016

	2010	2011	2012	2013	2014	2015	2016
January	$195,000	$150,000	$148,000	$159,000	$200,750	$222,000	$230,000
February	176,500	150,000	140,000	158,000	175,000	212,000	238,000
March	209,000	163,200	172,000	187,500	237,000	235,000	268,500
April	225,000	169,000	182,000	222,000	250,000	275,000	287,500
May	230,000	190,000	200,000	234,000	270,000	287,500	291,000
June	234,250	207,000	217,000	254,900	275,000	290,000	300,000
July	196,500	210,000	200,000	250,000	270,000	285,000	290,000
August	200,000	192,500	200,000	245,000	250,000	270,000	275,000
September	180,000	190,000	188,400	231,000	250,000	250,000	261,500
October	183,000	162,000	175,000	218,500	237,500	240,000	262,000
November	182,500	157,000	180,000	200,000	230,000	235,000	
December	166,250	155,000	185,000	210,000	229,250	242,500	

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APPENDIX C

CITY OF CHICAGO

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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Deloitte.

City of Chicago

Basic Financial Statements, Required Supplementary Information, and Independent Auditors' Report as of and for the Year Ended December 31, 2015

Rahm Emanuel, Mayor

Carole L. Brown, Chief Financial Officer
Erin Keane, City Comptroller

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CITY OF CHICAGO, ILLINOIS
YEAR ENDED DECEMBER 31, 2015
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INDEPENDENT AUDITORS' REPORT

To the Honorable Rahm Emanuel, Mayor
and Members of the City Council
City of Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chicago, Illinois, (the "City"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City's Pension Plans (the "Plans") which, in aggregate, represent substantially all the assets and revenues of the fiduciary funds, included in the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Plans, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chicago, Illinois, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 17 to the financial statements, beginning net position was restated due to the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27;* and, ending net position reflects changes in certain benefits and actuarial assumptions (Note 11). Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion, Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Contributions, and Analysis and Schedule of Other Postemployment Benefits Funding Progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

Chicago, Illinois
June 30, 2016

Management's Discussion and Analysis

As management of the City of Chicago, Illinois (City) we offer readers of the City's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2015. We encourage the readers to consider the information presented here in conjunction with information contained within this report.

2015 Financial Highlights

- Liabilities and Deferred Inflows of the City, in the government-wide financial statements, exceeded its assets and deferred outflows at the close of the most recent fiscal year by $23,831.4 million (*net deficit*). The net deficit is composed of $2,600.1 million in net investment in capital assets and $2,563.0 million in net position restricted for specific purposes offset by an unrestricted deficit of $28,994.5 million. The net deficit increased in 2015 by $17,295.1 million primarily as a result of an increase in the pension liability due to the new financial reporting requirements of GASB Statement No.68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* ("GASB 68") (see below).

- The City's total assets increased by $1,146.6 million. The increase primarily relates to a $1,012.0 million increase in capital assets as a result of the City's capital improvement program.

- Revenues and Other Financing Sources (Uses), in the fund financial statements, available for general governmental operations during 2015 were $7,549.7 million, an increase of $780.3 million (11.5 percent) from 2014, primarily due to drawing from the Line of Credit and issuance of General Obligation Bonds.

- The General Fund ended 2015 with a total Fund Balance of $215.2 million, of which $93.0 million was Unassigned. Total Fund Balance increased from 2014 primarily because Revenues and Other Financing Sources were greater than Expenditures and Other Financing Uses by $74.6 million.

- The City's General Obligation Bonds and notes outstanding increased by $1,028.9 million during the current fiscal year. The proceeds from the issuance of General Obligation Bonds were used primarily to repay indebtedness incurred by the City under its Short-Term borrowing program.

- The General Fund expenditures on a budgetary basis were $105.6 million less than budgeted as a result of favorable variances in general government expenditures, offset by unfavorable variances in Streets and Sanitation primarily as a result of higher than expected contractual related expenses due to certain winter storm events.

- GASB No. 68 established new financial reporting requirements for most governments that provide their employees with pension benefits through pension plans. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (see RSI and Notes 11 and 17). Beginning Net Position was restated as a result of implementation of this standard (see Note17). The net pension liability at December 31, 2015 is $33,846.2 million.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which include the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements. These components are described below:

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, using accounting methods similar to those used by private-sector companies. The statements provide both short-term and long-term information about the City's financial position, which assists in assessing the City's economic condition at the end of the fiscal year. These financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means such statements follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid.

The government-wide financial statements include two statements:

The *statement of net position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively. To assess the overall health of the City, the reader should consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

The *statement of activities* presents information showing how the government's net position changed during each fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (for example, uncollected taxes, and earned but unused vacation). This statement also presents a comparison between direct expenses and program revenues for each function of the City.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and sanitation, transportation, health, and cultural and recreation. The business-type activities of the City include water, sewer, tollway and airport services.

The government-wide financial statements present information about the City as a primary government, which includes the Chicago Public Library. The government-wide financial statements can be found immediately following this management's discussion and analysis.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds and governmental activities*.

The City maintains 19 individual governmental funds. Information for the six funds that qualify as major is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The six major governmental funds are as follows: the General Fund, the Federal, State and Local Grants Fund, the Special Taxing Areas Fund, Service Concession and Reserve Fund, the Bond, Note Redemption and Interest Fund, and the Community Development and Improvement Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriation budget for its general and certain special revenue funds on a non-GAAP budgetary basis. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found immediately following the government-wide statements.

Proprietary funds. These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge user fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds, like government-wide statements, use the accrual basis of accounting and provide both long- and short-term financial information. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The City uses five enterprise funds to account for its water, sewer, Skyway, and two airports operations.

Proprietary funds provide the same type of information as the government-wide financial statements, but provide more detail. The proprietary fund financial statements provide separate information for the Water Fund, Sewer Fund, Chicago Skyway Fund, Chicago-O'Hare International Airport Fund and the Chicago Midway International Airport Fund. All the proprietary funds are considered to be major funds of the City. The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

Fiduciary funds. Fiduciary funds are used primarily to account for resources held for the benefit of parties outside the primary government. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement can be used only for the trust beneficiaries. The City also uses fiduciary funds to account for transactions for assets held by the City as agent for various entities. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund basic financial statements can be found immediately following the proprietary fund financial statements.

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of data provided in the government–wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fiduciary fund basic financial statements.

Financial Analysis of the City as a whole

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows exceeded assets by $23,831.4 million at December 31, 2015. Of this amount, $2,600.1 million represents the City's investment in capital assets (land, buildings, roads, bridges, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities and deferred inflows.

An additional portion of the City's net position, $2,563.0 million, represents resources that are subject to external restrictions on how they may be used.

City of Chicago, Illinois
Summary Statement of Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	$ 5,384.8	$ 5,254.5	$ 4,738.4	$ 4,734.1	$ 10,123.2	$ 9,988.6
Capital assets	8,508.2	8,281.2	14,607.5	13,822.5	23,115.7	22,103.7
Total Assets	13,893.0	13,535.7	19,345.9	18,556.6	33,238.9	32,092.3
Deferred outflows	7,187.7	281.5	1,701.5	320.9	8,889.2	602.4
Total	21,080.7	13,817.2	21,047.4	18,877.5	42,128.1	32,694.7
Long-term liabilities outstanding	41,404.0	19,516.8	17,914.4	13,602.6	59,318.4	33,119.4
Other liabilities	1,969.4	1,767.4	1,274.8	1,122.7	3,244.2	2,890.1
Total Liabilities	43,373.4	21,284.2	19,189.2	14,725.3	62,562.6	36,009.5
Deferred Inflows	1,743.1	1,576.3	1,653.8	1,645.2	3,396.9	3,221.5
Net Position:						
Net investment in capital assets	(292.4)	128.7	2,892.5	2,713.8	2,600.1	2,742.5
Restricted	1,519.9	1,492.0	1,043.1	979.0	2,563.0	2,471.0
Unrestricted	(25,263.3)	(10,564.0)	(3,731.2)	(1,185.8)	(28,994.5)	(11,749.8)
Total net (deficit) position	$ (24,035.8)	$ (9,043.3)	$ 204.4	$ 2,507.0	$ (23,831.4)	$ (6,536.3)

Governmental Activities. Net position of the City's governmental activities decreased $14,992.5 million to a deficit of $24,035.8 million primarily as a result of an increase in the pension liability due to the new reporting requirements of GASB 68. A significant portion of net position is either restricted as to the purpose they can be used for or they are classified as net investment in capital assets (buildings, roads, bridges, etc.). Consequently, unrestricted net position showed a $25,263.3 million deficit at the end of this year. This deficit does not mean that the City does not have the resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from personnel, property, pollution and casualty claims ($850.6 million) and Municipal employees, Laborers', Policemen's and Firemen's net pension obligation and other post-employment benefits ($29,912.2 million). The City will include these amounts in future years' budgets as they come due. In addition, the deferred inflow balance of $1,555.2 million from concession service agreements will be amortized into income over the life of such agreements.

Revenues for all governmental activities in 2015 were $6,394.0 million, an increase of $664.9 million from 2014. Over half of the City's revenues were derived from taxes which increased by $562.6 million (17.6 percent). Total tax revenue included an increase in property taxes received of $252.6 million (27.3 percent).

Expenses for governmental activities in 2015 were $11,254.6 million, an increase of $3,904.5 million (53.1 percent) over 2014. The amount that taxpayers paid for these governmental activities through City taxes was $3,754.2 million. Some of the cost was paid by those who directly benefited from the programs ($814.8 million), or by other governments and organizations that subsidized certain programs with grants and contributions ($745.8 million).

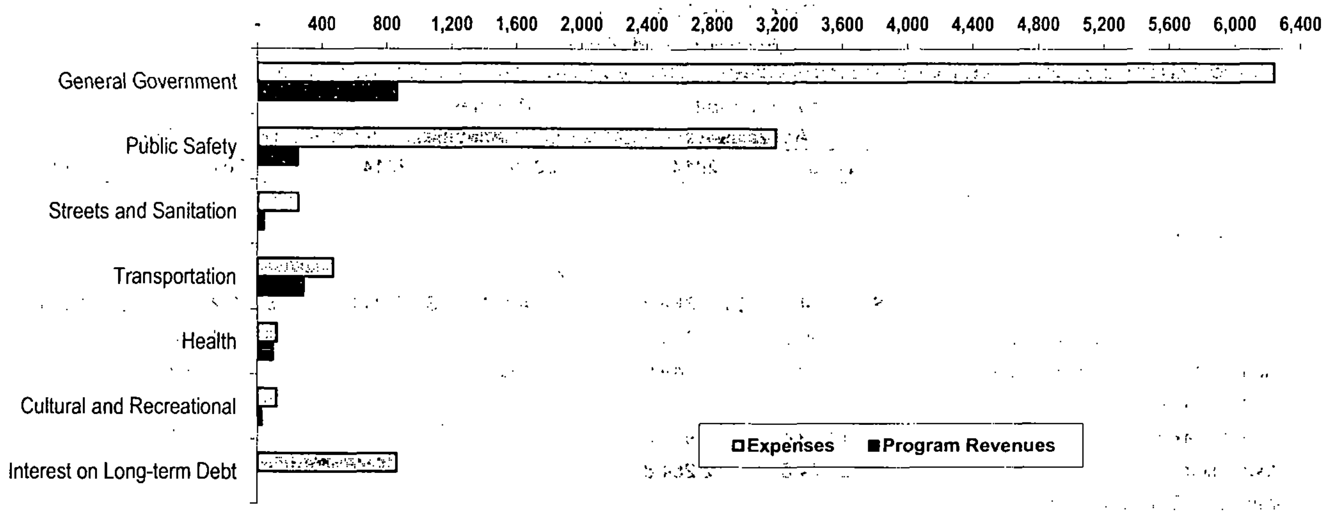
The City paid $1,078.6 million for the "public benefit" portion with other revenues such as state aid, interest and miscellaneous income.

Although total net position of business-types activities was $204.4 million, these resources cannot be used to make up for the deficit in net position in governmental activities. The City generally can only use this net position to finance the continuing operations of the water, sewer, Skyway, and airports activities.

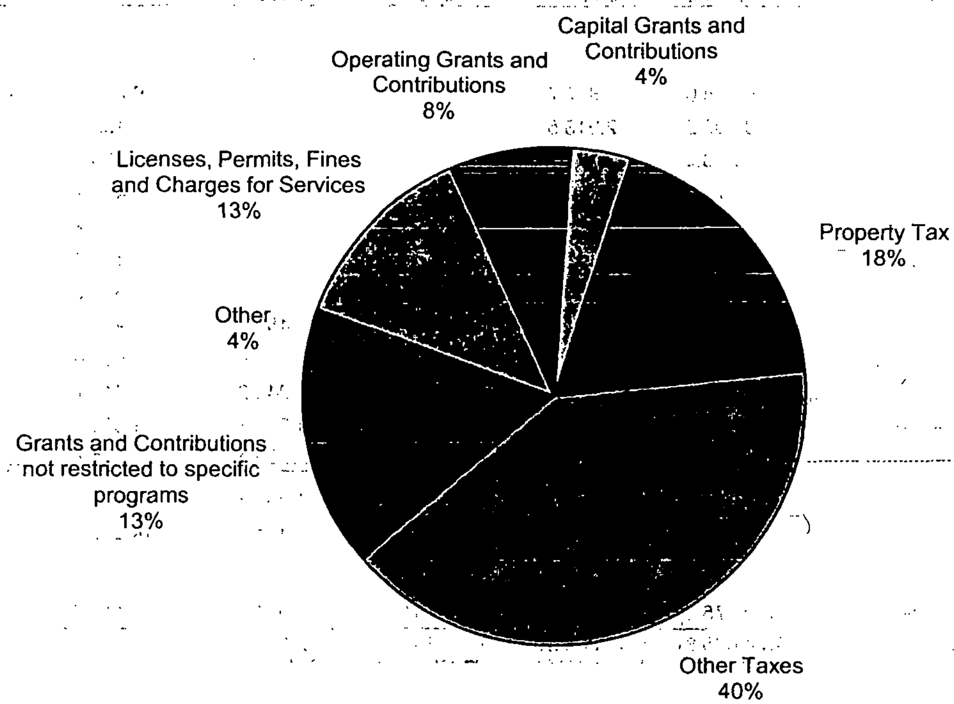
City of Chicago, Illinois
Changes in Net Position
Years Ended December 31,
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Licenses, Permits, Fines and						
Charges for Services	$ 814.8	$ 819.2	$ 2,400.4	$ 2,244.1	$ 3,215.2	$ 3,063.3
Operating Grants and Contributions	496.7	470.7	-	-	496.7	470.7
Capital Grants and Contributions	249.1	249.9	85.9	95.6	335.0	345.5
General Revenues:						
Property Taxes	1,179.4	926.8	-	-	1,179 4	926.8
Other Taxes	2,574.8	2,264.8	-	-	2,574.8	2,264.8
Grants and Contributions not						
Restricted to Specific Programs	815.2	740.9	-	-	815.2	740.9
Other	263.4	256.8	67.4	85.3	330.8	342.1
Transfer In (Out)	0.6	-	(0.6)	-	-	-
Total Revenues	6,394.0	5,729.1	2,553.1	2,425.0	8,947.1	8,154.1
Expenses:						
General Government	6,238.0	2,857.7	-	-	6,238.0	2,857.7
Public Safety	3,192.2	2,913.5	-	-	3,192.2	2,913.5
Streets and Sanitation	253.4	275.8	-	-	253.4	275.8
Transportation	471.7	475.8	-	-	471.7	475.8
Health	119.2	125.1	-	-	119.2	125.1
Cultural and Recreational	118.8	121.5	-	-	118.8	121.5
Interest on Long-term Debt	861.3	580.7	-	-	861.3	580.7
Water	-	-	900.3	455.4	900.3	455.4
Sewer	-	-	505.0	225.6	505.0	225.6
Midway International Airport	-	-	315.7	248.2	315.7	248.2
Chicago-O'Hare International Airport	-	-	1,380.5	1,029.7	1,380.5	1,029.7
Chicago Skyway	-	-	8.7	10.3	8.7	10.3
Total Expenses	11,254.6	7,350.1	3,110.2	1,969.2	14,364.8	9,319.3
Change in Net Position	(4,860.6)	(1,621.0)	(557.1)	455.8	(5,417.7)	(1,165.2)
Net (Deficit) Position,						
Beginning of Year, as Restated (Note 17)	(19,175.2)	(7,422.3)	761.5	2,051.2	(18,413.7)	(5,371.1)
Net (Deficit) Position, End of Year	$(24,035.8)	$ (9,043.3)	$ 204.4	$ 2,507.0	$ (23,831.4)	$ (6,536.3)

Expenses and Program Revenues - Governmental Activities
(in millions of dollars)



Revenues by Source - Governmental Activities



Business-type Activities. Total Revenues of the City's business-type activities increased by $128.1 million in 2015 mostly from an increase in charges for services and rental income, offset by a decrease in other general revenues and capital grant funding.

- The Water Fund's total operating revenues increased by $76.8 million (11.1%) from 2014 due to a 15% increase in water rates, offset by the conversion of 23,820 accounts from nonmetered to metered. Operating expenses before depreciation and amortization for the year ended 2015 increased by $439.1 million (146.9%) from the year ended 2014 mainly due to increases in pension costs resulting from the implementation of GASB 68.

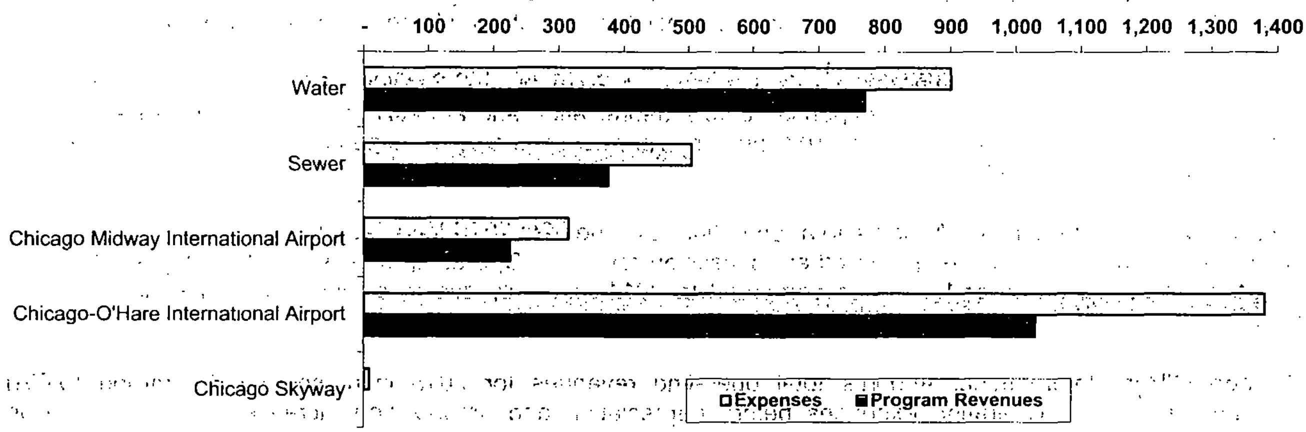
- The Sewer Fund's total operating revenues increased in 2015 by $53.6 million (16.7%) primarily due to an increase in sewer rates. Operating expenses before depreciation and amortization for 2015 increased $191.4 million (160.5%) from the year ended 2014 primarily due to an increase in pension expense related to the implementation of GASB 68.

- Chicago Midway International Airport's total operating revenues for 2015 increased by $5.9 million (3.4%) from 2014 primarily due to higher rents and other concession revenue. Operating expenses before depreciation and amortization increased by $54.3 million compared to 2014, primarily due to an increase in pension expense related to the implementation of GASB 68.

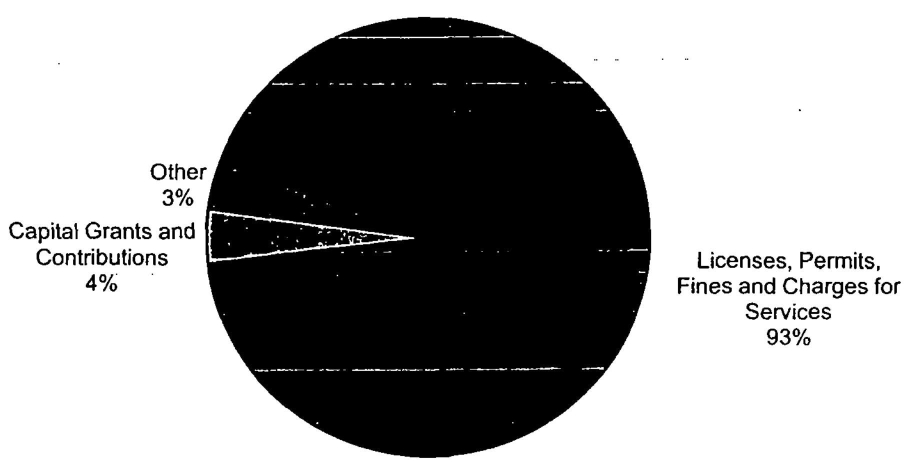
- Chicago O'Hare International Airport's total operating revenues for 2015 increased by $.7 million (0.0%) compared to 2014. Operating expenses before depreciation and amortization increased by $310.7 million (62.8%) compared to 2014 primarily due to an increase in pension expense related to the implementation of GASB 68.

- The Chicago Skyway was leased for 99 years to a private company. The agreement granted the company the right to operate the Skyway and to collect toll revenue during the term of the agreement. The City received an upfront payment of $1.83 billion of which $446.3 million was used to advance refund all of the outstanding Skyway bonds. The upfront payment is being amortized into nonoperating revenue over the period of the lease ($18.5 million annually).

Expenses and Program Revenues - Business-type Activities
(in millions of dollars)



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2015, the City's governmental funds reported combined ending fund balances of $982.7 million, an increase of $159.4 million in comparison with the prior year. Of this total amount $677.8 million was committed to specific expenditures, $98.4 million was assigned to anticipated uses, a deficit of $1,696.0 million was unassigned, $1,878.7 million was restricted in use by legislation, and $23.8 million was nonspendable.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $93.0 million with a total fund balance of $215.2 million. As a measure of the General Fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total General Fund balance represents 6.3 percent of total General Fund expenditures. The fund balance of the City's General Fund increased by approximately $74.0 million during the current fiscal year due to higher revenues and lower expenses for certain categories.

The Federal, State and Local Grants Fund has a total deficit fund balance of $216.1 million. The deficit is $8.9 million lower than 2014 primarily due to more timely reimbursement of expenditures.

The Special Taxing Areas Fund has a total fund balance of $1,275.7 million, which is all restricted to specific expenditures.

The Service Concession and Reserve Fund accounts for deferred inflows from nonbusiness type long-term concession and lease transactions and has $621.3 million committed to specific expenditures. The unassigned deficit of $1,555.3 million results from the deferred inflows from long-term asset leases.

The Bond, Note Redemption and Interest Fund has a total fund balance of $236.3 million. The fund balance in 2014 was $263.2 million lower due to reclassification of long-term debt to short term debt during 2014.

The Community Development and Improvement Projects Fund has a total fund balance of $198.4 million. This is $149.2 million lower than 2014 due to increased capital improvement efforts.

Changes in fund balance. The fund balance for the City's governmental funds increased by $159.4 million in 2015. This includes a decrease in inventory of $.7 million.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water, Sewer, Chicago Skyway, Chicago-O'Hare International Airport, and Chicago Midway International Airport Funds at the end of the year amounted to a deficit of $3,731.2 million. The unrestricted net position deficit increased by $2,545.4 million due to an increase in the unrestricted deficit in all proprietary funds primarily due to pension costs as a result of the implementation of GASB 68. Other factors concerning the finances of these five funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's 2015 Original General Fund Budget was $3,534.4 million. This budget reflects an increase of $244.2 million (7.4 %) over the 2014 Budget. $128.8 million of this increase is the result of a change in the way the City budgeted pension contributions to more clearly reflect the allocation of pension expenses across City funds. This change is discussed further below. On November 19, 2014 the City's 2015 General Fund Budget was approved by the City Council. The General Fund revenues on a budgetary basis were $14.2 million less than the final budget as a result of lower state income tax and utility tax revenues which were offset by higher than expected revenue from, transaction, recreation, and transportation taxes. Expenditures were $91.4 million less than budgeted as a result of favorable variances in general government expenditures. Additional information on the City's budget can be found in Note 3 under Stewardship, Compliance and Accountability within this report.

As discussed as part of the 2015 appropriation above the City changed how it budgets its pension fund contributions. This change impacts how state income tax revenue is reflected in the 2015 financial statements. Historically, the City's pension fund contributions were paid from property taxes and personal property replacement tax (PPRT) revenues, and as a result no pension fund expenses were reflected in the general fund. Instead PPRT revenues were diverted from the general fund to the pension funds. In addition, PPRT revenues in one year were used to make the pension contributions budgeted in the prior year. As a result, the state income tax revenues recorded in the general fund appear lower than the revenue actually received as a portion of the revenue was diverted to pay 2014 pension contributions in accordance with past practice. Due to certain changes in the way that pension contributions are recorded in the 2015 financial statements and the 2015 budgetary change, this is a one-time adjustment.

Capital Asset and Debt Administration

Capital Assets. The City's capital assets for its governmental and business-type activities as of December 31, 2015 amount to $23,115.7 million (net of accumulated depreciation). These capital assets include land, buildings and system improvements, machinery and equipment, roads, highways and bridges, and property, plant and equipment.

Major capital asset events during the current fiscal year included the following:

- The City continues its commitment to sustainable design in new construction projects utilizing the Leadership in Energy & Environmental Design (LEED) strategy. Completed construction in 2015 totaled $29.5 million including; Chicago Children Advocacy Center Expansion Project totaling $7.1 million and Chinatown Library totaling $18.3 million.

- During 2015, the City completed $384.8 million in infrastructure projects including $270.1 million in street construction and resurfacing projects, $84.8 million in street lighting and transit projects, and $29.9 million in bridge and viaduct reconstruction. At year end, infrastructure projects still in process had expenses totaling nearly $640.5 million.

- At the end of 2015, the Water Fund had $3,822.8 million invested in utility plant, net of accumulated depreciation. During 2015, the Water Fund expended $414.2 million on capital activities. This included $3.0 million for structures and improvements, $243.1 million for distribution plant, $6.0 million for equipment, and $160.3 million for construction in progress, and $1.8 million for land and land rights.

- During 2015, net completed projects totaling $366.3 million were transferred from construction in progress to applicable capital accounts. The major completed projects relate to installation and replacements of water mains ($284.5 million), and meter save program ($74.5 million).

- At the end of 2015, the Sewer Fund had $2,263.2 million invested in utility plant, net of accumulated depreciation. During 2015, the Sewer Fund had capital additions being depreciated of $207.2 million, and completed projects totaling $17.2 million were transferred from construction in progress to applicable facilities and structures capital accounts. The 2015 Sewer Main Replacement Program completed 25.4 miles of sewer mains and 55.1 miles of relining of existing sewer mains at a cost of $208.8 million.

- At the end of 2015, Chicago-Midway International Airport had $1,169.6 million invested in net capital assets. During 2015, the Airport had additions of $44.9 million related to capital activities. This included $.4 million for land acquisition and the balance of $44.5 million for construction projects relating to terminal improvements, runway rehabilitation and parking improvements. During 2015, completed projects totaling $46.0 million were transferred from construction in progress to applicable buildings and other facilities capital accounts. These major completed projects were related to runway and taxi improvements, rental car, parking garage, and terminal security.

- At the end of 2015, Chicago-O'Hare International Airport totaled $7.1 billion, invested in net capital assets. During 2015, the Airport had additions of $450.8 million related to capital activities. This included $.3 million for land acquisition and the balance of $450.5 million for terminal improvements, road and sidewalk enhancements, runway and taxiway improvements. During 2015, completed projects totaling $816.0 million were transferred from construction in progress to applicable buildings and other facilities capital accounts. These major completed projects were related to runway and taxiway improvements, road, electrical system upgrades, and parking facilities and terminal improvements.

City of Chicago, Illinois
Capital Assets (net of depreciation)
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Land	$ 1,393.4	$ 1,392.8	$ 1,021.2	$ 1,018.7	$ 2,414.6	$ 2,411.5
Works of Art and Historical Collections	45.6	45.2	-	-	45.6	45.2
Construction in Progress	656.0	545.5	740.4	1,256.3	1,396.4	1,801.8
Buildings and Other Improvements	1,610.7	1,630.2	12,537.0	11,227.0	14,147.7	12,857.2
Machinery and Equipment	231.8	235.3	308.9	320.5	540.7	555.8
Infrastructure	4,570.7	4,432.2	-	-	4,570.7	4,432.2
Total	$ 8,508.2	$ 8,281.2	$ 14,607.5	$ 13,822.5	$ 23,115.7	$22,103.7

Information on the City's capital assets can be found in Note 7 Capital Assets in this report.

Debt. At the end of the current fiscal year, the City had $8,688.8 million in General Obligation Bonds and $675.6 million in General Obligation Certificates and Other Obligations outstanding. Other outstanding long-term debt is as follows: $212.4 million in Motor Fuel Tax Revenue Bonds; $541.6 million of Sales Tax Revenue Bonds; $65.4 million in Tax Increment Financing Bonds; and $13,050.4 million in Enterprise Fund Bonds and long-term obligations. For more detail, refer to Note 10 Long-term Obligations in the Basic Financial Statements.

City of Chicago, Illinois
General Obligation and Revenue Bonds
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation	$ 9,364.4	$ 8,335.5	$ -	$ -	$ 9,364.4	$ 8,335.5
Tax Increment	65.4	74.4	-	-	65.4	74.4
Revenue Bonds	754.0	743.8	13,050.4	13,071.6	13,804.4	13,815.4
Total	$ 10,183.8	$ 9,153.7	$ 13,050.4	$ 13,071.6	$ 23,234.2	$ 22,225.3

During 2015, the City issued the following:

General Obligation Bonds:

- General Obligation Bonds, Series 2015A Tax-Exempt and 2015B Taxable ($1,088.4 billion).

Enterprise Fund Revenue Bonds and Notes:

- Chicago-O'Hare International Airport General Commercial Paper Notes ($75.8 million)
- Chicago-O'Hare INternational International General Airport Senior Lien Revenue and Revenue Refunding Bonds, Series 2015A (AMT), Series 2015B (Non-AMT), Series 2014C (AMT), and Series 2015D (Non-AMT) ($1,947.4 million).
- Second Lien Wastewater Transmission Revenue Bonds, Series 2015 ($87.1 million).

At December 31, 2015 the City had credit ratings with each of the four major rating agencies as follows:

Rating Agency	Moody's	Standard & Poors	Fitch	Kroll
General Obligation:				
City	Ba1	BBB+	BBB+	A-
Revenue Bonds:				
O'Hare Airport:				
Senior Lien General Airport Revenue Bonds	A2	A	A-	A+
Senior Lien Passenger Facility Charge (PFC)	A2	A	A	NR
Customer Facility Charge (CFC)	Baa1	BBB	NR	NR
Midway Airport:				
First Lien	A2	A	A	NR
Second Lien	A3	A-	A-	NR
Water:				
First Lien	Baa1	A	AA+	NR
Second Lien	Baa2	A-	AA	AA
Wastewater:				
First Lien	Baa2	A+	NR	NR
Second Lien	Baa3	A	AA	AA-
Sales Tax	Ba1	AA	BBB+	AA+
Motor Fuel Tax	Ba1	BBB+	BBB	NR

See Subsequent Events in the footnotes for ratings changes in 2016.

Economic Factors and Next Year's Budgets and Rates

Local, national, and global economies play a major role in the City's finances and economic growth. In 2015, local and national economies continued to experience moderate growth and recovery from the economic downturn. Although rising home prices and shrinking inventory slowed the housing market in 2015 and home sales were up nearly 8 percent compared to 2014, median home prices were up 6 percent over 2014. In 2015, nationwide, retail sales grew 2.3 percent over 2014, with consumer confidence showing further improvement. The average national unemployment rate decreased from 6.2 percent in 2014 to 5.3 percent in 2015, and Chicago's unemployment rate declined in 2015 as well. Tourism, business, and convention travel to Chicago remained strong in 2015, with amusement tax collections up about 29 percent and hotel tax revenues up about 9 percent from 2014. Additionally, Chicago welcomed a record number of domestic tourists in 2015 with more than 50 million visitors from around the country traveling to Chicago.

The City's 2016 General Fund budget, totaling $3,623.8 million, was approved by a 35 to 15 vote of City Council on October 28, 2015. The 2016 budget balanced a preliminary budget shortfall of $233.0 million by reforming and cutting spending, and improving revenue growth. The 2016 budget also commits an additional $5.0 million to the City's long-term reserves, following provisions of $15.0 million in 2013, $5.0 million in 2014 and $5.0 million in 2015.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government's finances. . Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Chicago Department of Finance.

Exhibit 1
CITY OF CHICAGO, ILLINOIS
STATEMENT OF NET POSITION
December 31, 2015
(Amounts are in Thousands of Dollars)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
Cash and Cash Equivalents	$ 857,747	$ 444,146	$ 1,301,893
Investments	705,364	208,378	913,742
Cash and Investments with Escrow Agent	661,474	-	661,474
Receivables (Net of Allowances):			
Property Tax	1,560,464	-	1,560,464
Accounts	980,045	389,719	1,369,764
Internal Balances	(46,140)	46,140	-
Inventories	23,828	21,500	45,328
Restricted Assets:			
Cash and Cash Equivalents	108,877	1,639,613	1,748,490
Investments	515,991	1,927,057	2,443,048
Other Assets	17,112	61,875	78,987
Capital Assets:			
Land, Art, and Construction in Progress	2,094,938	1,761,593	3,856,531
Other Capital Assets, Net of Accumulated Depreciation	6,413,262	12,845,900	19,259,162
Total Capital Assets	8,508,200	14,607,493	23,115,693
Total Assets	13,892,962	19,345,921	33,238,883
Deferred Outflows	7,187,699	1,701,505	8,889,204
Total Assets and Deferred Outflows	$ 21,080,661	$ 21,047,426	$ 42,128,087
LIABILITIES AND DEFERRED INFLOWS			
Voucher Warrants Payable	$ 525,004	$ 476,663	$ 1,001,667
Short-term Debt	672	-	672
Accrued Interest	270,551	245,797	516,348
Accrued and Other Liabilities	1,092,005	235,309	1,327,314
Unearned Revenue	81,144	193,867	275,011
Derivative Instrument Liability	-	123,166	123,166
Long-term Liabilities:			
Due Within One Year	318,144	366,828	684,972
Due in More Than One Year	41,085,810	17,547,645	58,633,455
Total Liabilities	43,373,330	19,189,275	62,562,605
Deferred Inflows	1,743,138	1,653,790	3,396,928
Total Liabilities and Deferred Inflows	45,116,468	20,843,065	65,959,533
NET POSITION			
Net Investment in Capital Assets	(292,432)	2,892,548	2,600,116
Restricted for:			
Capital Projects	-	220,059	220,059
Debt Service	244,205	25,832	270,037
Special Taxing Areas	1,275,709	-	1,275,709
Passenger Facility Charges	-	155,007	155,007
Contractual Use Agreement	-	166,654	166,654
Airport Development Fund	-	338,133	338,133
Customer Facility Charges	-	91,513	91,513
Other Purposes	-	45,782	45,782
Unrestricted (Deficit)	(25,263,289)	(3,731,167)	(28,994,456)
Total Net Position	$ (24,035,807)	$ 204,361	$ (23,831,446)

See notes to basic financial statements.

Exhibit 2
CITY OF CHICAGO, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2015
(Amounts are in Thousands of Dollars)

Functions/Programs	Expenses	Licenses, Permits, Fines and Charges for Services
Primary Government		
Governmental Activities:		
General Government	$ 6,238,028	$ 534,325
Public Safety	3,192,197	182,670
Streets and Sanitation	253,432	39,602
Transportation	471,689	37,522
Health	119,199	5,839
Cultural and Recreational	118,775	14,850
Interest on Long-term Debt	861,293	-
Total Governmental Activities	11,254,613	814,808
Business-type Activities:		
Water	900,346	769,408
Sewer	505,032	375,877
Chicago Midway International Airport	315,724	225,383
Chicago-O'Hare International Airport	1,380,512	1,029,788
Chicago Skyway	8,727	
Total Business-type Activities	3,110,341	2,400,456
Total Primary Government	$ 14,364,954	$ 3,215,264

See notes to basic financial statements.

	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Primary Government		
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
	$ 326,030	$ -	$ (5,377,673)	$ -	$ (5,377,673)
	67,822	-	(2,941,705)	-	(2,941,705)
	-	-	(213,830)	-	(213,830)
	-	249,064	(185,103)	-	(185,103)
	90,261	-	(23,099)	-	(23,099)
	12,566	-	(91,359)	-	(91,359)
	-	-	(861,293)	-	(861,293)
	496,679	249,064	(9,694,062)	-	(9,694,062)
	-	-	-	(130,938)	(130,938)
	-	-	-	(129,155)	(129,155)
	-	9,279	-	(81,062)	(81,062)
	-	76,689	-	(274,035)	(274,035)
	-	-	-	(8,727)	(8,727)
	-	85,968	-	(623,917)	(623,917)
	$ 496,679	$ 335,032	(9,694,062)	(623,917)	(10,317,979)
General Revenues					
Taxes:					
Property Tax			1,179,395	-	1,179,395
Utility Tax			562,697	-	562,697
Sales Tax			346,319	-	346,319
Transportation Tax			384,978	-	384,978
Transaction Tax			466,432	-	466,432
Special Area Tax			444,972	-	444,972
Recreation Tax			227,510	-	227,510
Other Taxes			141,895	-	141,895
Grants and Contributions not Restricted to Specific Programs			815,157	-	815,157
Unrestricted Investment Earnings			(1,357)	27,563	26,206
Miscellaneous			264,806	39,744	304,550
Transfers			625	(625)	-
Total General Revenues and Transfers			4,833,429	66,682	4,900,111
Change in Net Position			(4,860,633)	(557,235)	(5,417,868)
Net Position - Beginning, as restated (Note 17)			(19,175,174)	761,596	(18,413,578)
Net Position - Ending			$ (24,035,807)	$ 204,361	$ (23,831,446)

Exhibit 3
CITY OF CHICAGO, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
ASSETS			
Cash and Cash Equivalents	$ 2,555	$ -	$ 796,054
Investments	54,392	36,793	299,101
Cash and Investments with Escrow Agent	-	-	-
Receivables (Net of Allowances):			
Property Tax	-	-	399,623
Accounts	225,580	3,796	3,293
Due From Other Funds	154,104	50,724	180,269
Due From Other Governments	262,522	421,526	-
Inventories	23,828	-	-
Restricted Cash and Cash Equivalents	-	3,218	-
Restricted Investments	-	-	-
Other Assets	-	4,075	-
Total Assets	$ 722,981	$ 520,132	$ 1,678,340
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilities:			
Voucher Warrants Payable	$ 219,649	$ 156,058	$ 38,286
Bonds, Notes and Other Obligations Payable - Current	-	-	-
Accrued Interest	-	-	-
Due To Other Funds	167,001	261,316	10,794
Accrued and Other Liabilities	98,500	7,408	3,147
Claims Payable	13,748	-	-
Unearned Revenue	8,851	72,293	-
Total Liabilities	507,749	497,075	52,227
Deferred Inflows	-	239,199	350,404
Fund Balance:			
Nonspendable	23,828	-	-
Restricted	-	17,617	1,275,709
Committed	-	-	-
Assigned	98,377	-	-
Unassigned	93,027	(233,759)	-
Total Fund Balance	215,232	(216,142)	1,275,709
Total Liabilities, Deferred Inflows and Fund Balance	$ 722,981	$ 520,132	$ 1,678,340

See notes to basic financial statements.

Service Concession and Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Other Governmental Funds	Total Governmental Funds
$ -	$ 25,720	$ 738	$ 32,680	$ 857,747
-	66,182	164,236	84,660	705,364
-	574,924	-	86,550	661,474
-	491,113	-	669,728	1,560,464
2,815	893	1,675	18,506	256,558
-	32,161	100,817	96,033	614,108
-	2,659	-	36,780	723,487
-	-	-	-	23,828
105,659	-	-	-	108,877
515,991	-	-	-	515,991
-	-	-	-	4,075
$ 624,465	$ 1,193,652	$ 267,466	$ 1,024,937	$ 6,031,973
$ -	$ -	$ 47,228	$ 44,538	$ 505,759
-	146,863	-	4,700	151,563
-	269,309	-	1,242	270,551
3,183	104,247	19,321	164,144	730,006
-	-	2,486	5,747	117,288
-	-	-	-	13,748
-	-	-	-	81,144
3,183	520,419	69,035	220,371	1,870,059
1,555,260	436,939	-	597,386	3,179,188
-	-	-	-	23,828
-	236,294	198,431	150,641	1,878,692
621,282	-	-	56,539	677,821
-	-	-	-	98,377
(1,555,260)	-	-	-	(1,695,992)
(933,978)	236,294	198,431	207,180	982,726
$ 624,465	$ 1,193,652	$ 267,466	$ 1,024,937	$ 6,031,973

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	8,508,200
Other long-term assets are not available to pay for current-period expenditures and therefore are recorded as deferred inflows in the funds	1,623,928
Certain liabilities, including bonds payable, and deferred outflows are not due and payable in the current period and therefore are not reported in the funds	(35,150,661)
Net position of governmental activities	$ (24,035,807)

Exhibit 4
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2015
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
Revenues:			
Property Tax	$ -	$ -	$ -
Utility Tax	437,780	-	-
Sales Tax (Local)	308,878	-	-
Transportation Tax	197,877	-	-
State Income Tax	336,959	-	-
State Sales Tax	356,915	-	-
Transaction Tax	390,308	-	-
Special Area Tax	-	-	353,413
Recreation Tax	227,510	-	-
Other Taxes	119,963	-	-
Federal/State Grants	1,845	763,001	-
Internal Service	345,426	-	-
Licenses and Permits	126,727	-	-
Fines	366,309	-	-
Investment Income	911	-	3,585
Charges for Services	126,109	-	5
Miscellaneous	123,118	-	1,699
Total Revenues	3,466,635	763,001	358,702
Expenditures:			
Current:			
General Government	1,064,470	335,362	292,198
Health	26,001	93,007	-
Public Safety	2,061,540	43,337	-
Streets and Sanitation	199,644	-	33
Transportation	67,145	242,804	77,819
Cultural and Recreational	-	12,872	386
Employee Pensions	-	-	-
Other	6,027	(72)	-
Capital Outlay	-	45,445	-
Debt Service:			
Principal Retirement	1,930	-	-
Interest and Other Fiscal Charges	6,345	-	-
Total Expenditures	3,433,102	772,755	370,436
Revenues (Under) Over Expenditures	33,533	(9,754)	(11,734)

Continued on following pages.

Service Concession and Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 476,466	$ -	$ 393,375	$ 869,841
-	22,324	-	102,593	562,697
-	37,441	-	-	346,319
-	11,737	-	175,364	384,978
-	-	-	119,438	456,397
-	-	-	-	356,915
-	-	-	76,124	466,432
-	-	-	-	353,413
-	-	-	-	227,510
-	12	-	21,920	141,895
-	-	-	-	764,846
-	-	-	37,332	382,758
-	2,308	-	-	129,035
-	-	-	20,851	387,160
11,391	(50,182)	4,593	2,807	(26,895)
-	-	-	21,813	147,927
21,033	69,389	23,974	25,593	264,806
32,424	569,495	28,567	997,210	6,216,034
-	-	-	371,867	2,063,897
-	-	-	40	119,048
-	-	-	6,832	2,111,709
-	-	-	49,401	249,078
-	-	-	87,714	475,482
-	-	-	81,791	95,049
-	-	-	479,581	479,581
-	-	-	771	6,726
-	-	327,109	52,496	425,050
-	474,806	-	37,070	513,806
-	819,738	-	24,160	850,243
-	1,294,544	327,109	1,191,723	7,389,669
32,424	(725,049)	(298,542)	(194,513)	(1,173,635)

Exhibit 4 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2015
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
Other Financing Sources (Uses):			
Issuance of Debt	$ -	$ 28,657	$ -
Issuance of Line of Credit	19,300	-	-
Premium/(Discount)	-	-	-
Transfers In	34,551	-	6,632
Transfers Out	(12,760)	(10,000)	(46,247)
Total Other Financing Sources (Uses)	41,091	18,657	(39,615)
Net Changes in Fund Balance	74,624	8,903	(51,349)
Fund Balance, Beginning of Year	141,278	(225,045)	1,327,058
Change in Inventory	(670)	-	-
Fund Balance, End of Year	$ 215,232	$ (216,142)	$ 1,275,709

See notes to basic financial statements.

Service Concession Agreements and Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 1,026,030	$ 62,360	$ -	$ 1,117,047
-	93,837	50,000	75,994	239,131
-	(23,108)	-	-	(23,108)
-	7,367	38,057	143,002	229,609
(11,000)	(115,911)	(1,096)	(31,970)	(228,984)
(11,000)	988,215	149,321	187,026	1,333,695
21,424	263,166	(149,221)	(7,487)	160,060
(955,402)	(26,872)	347,652	214,667	823,336
-	-	-	-	(670)
$ (933,978)	$ 236,294	$ 198,431	$ 207,180	$ 982,726

Exhibit 5
CITY OF CHICAGO, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2015
(Amounts are in Thousands of Dollars)

Amounts reported for governmental activities in the statement of activities are different from amounts reported for governmental funds in the statement of revenues, expenditures and changes in fund balances because:

Net change in fund balances - total governmental funds	$	160,060
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		223,053
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		406,710
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments		(824,928)
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		(4,825,528)
Change in the net position of governmental activities	$	(4,860,633)

See notes to basic financial statements.

Exhibit 6
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND (BUDGETARY BASIS)
Year Ended December 31, 2015
(Amounts are in Thousands of Dollars)

	Original Budget	Final Budget	Actual Amounts	Variance
Revenues:				
Utility Tax	$ 451,840	$ 451,840	$ 437,780	$ (14,060)
Sales Tax	308,300	308,300	308,878	578
Transportation Tax	188,024	188,024	197,877	9,853
Transaction Tax	326,432	326,432	390,308	63,876
Recreation Tax	205,026	205,026	227,510	22,484
Other Taxes	115,049	115,049	119,963	4,914
State Income Tax	420,019	420,019	336,959	(83,060)
State Sales Tax	339,624	339,624	356,915	17,291
Federal/State Grants	1,600	1,600	1,845	245
Internal Service	353,326	353,326	345,426	(7,900)
Licenses and Permits	136,915	137,273	126,727	(10,546)
Fines	369,500	369,500	366,309	(3,191)
Investment Income	2,000	2,000	911	(1,089)
Charges for Services	138,724	138,366	126,109	(12,257)
Miscellaneous	145,233	145,233	123,118	(22,115)
Transfers In/Out	32,808	33,071	53,851	20,780
Total Revenues	3,534,420	3,534,683	3,520,486	(14,197)
Expenditures:				
Current:				
General Government	1,189,384	1,189,647	1,084,763	104,884
Health	29,508	29,508	27,209	2,299
Public Safety	2,061,129	2,061,129	2,057,955	3,174
Streets and Sanitation	195,655	195,655	204,990	(9,335)
Transportation	56,363	56,363	51,770	4,593
Debt Service:				
Principal Retirement	1,930	1,930	1,930	-
Interest and Other Fiscal Charges	451	451	451	-
Total Expenditures	3,534,420	3,534,683	3,429,068	105,615
Revenues Over (Under) Expenditures	$ -	$ -	$ 91,418	$ 91,418

See notes to basic financial statements.

Exhibit 7
CITY OF CHICAGO, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago-Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
ASSETS AND DEFERRED OUTFLOWS						
CURRENT ASSETS:						
Cash and Cash Equivalents	$ 296,084	$ 37,383	$ 10,881	$ 98,883	$ 915	$ 444,146
Investments	101,612	34,044	27,821	44,621	280	208,378
Accounts Receivable (Net of Allowances)	173,260	107,060	13,978	90,710	5	385,013
Interest Receivable	206		-	174		380
Due from Other Funds	33,672	26,192	1,566	31,532		92,962
Inventories	20,691	809	-	-	-	21,500
Cash and Cash Equivalents - Restricted	26,401	139,825	88,080	537,631		791,937
Investments - Restricted	153,863	43,986	-	-		197,849
Interest Receivable - Restricted	678	623	-	-	-	1,301
Other Assets - Restricted	-		-	3,800		3,800
TOTAL CURRENT ASSETS	806,467	389,922	142,326	807,351	1,200	2,147,266
NONCURRENT ASSETS:						
Cash and Cash Equivalents - Restricted	-	-	69,791	777,885	-	847,676
Investments - Restricted	141,005	156,205	244,354	1,182,225	-	1,723,789
Interest Receivable - Restricted	-	-	473	3,645	-	4,118
Other Assets - Restricted	-	-	3,064	25,248	-	28,312
Due from Other Governments - Restricted	-	-	3,709	617	-	4,326
Other Assets	4,662	3,499	842	10,909	9,851	29,763
Property, Plant, and Equipment:						
Land	6,858	560	115,165	885,967	12,609	1,021,159
Structures, Equipment and Improvements	4,594,202	2,702,083	1,602,470	9,014,975	490,817	18,404,547
Accumulated Depreciation	(1,020,390)	(531,823)	(567,211)	(3,197,061)	(242,162)	(5,558,647)
Construction Work in Progress	242,155	92,339	19,126	386,814	-	740,434
Total Property, Plant and Equipment	3,822,825	2,263,159	1,169,550	7,090,695	261,264	14,607,493
TOTAL NONCURRENT ASSETS:	3,968,492	2,422,863	1,491,783	9,091,224	271,115	17,245,477
TOTAL ASSETS	4,774,959	2,812,785	1,634,109	9,898,575	272,315	19,392,743
DEFERRED OUTFLOWS	751,081	266,925	134,926	548,573	-	1,701,505
TOTAL ASSETS and DEFERRED OUTFLOWS	$ 5,526,040	$ 3,079,710	$ 1,769,035	$ 10,447,148	$ 272,315	$ 21,094,248

See notes to basic financial statements.

	Water	Sewer	Chicago-Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
	Business-type Activities - Enterprise Funds					
	Major Funds					
LIABILITIES						
CURRENT LIABILITIES:						
Voucher Warrants Payable	$ 23,660	$ 2,320	$ 20,300	$ 93,378	$ 147	$ 139,805
Due to Other Funds	22,061	14,132	7,225	3,389	15	46,822
Accrued and Other Liabilities	138,279	40,225	758	12,836	-	192,098
Unearned Revenue	19,856	15,933	2,993	155,085	-	193,867
Current Liabilities Payable From Restricted Assets	179,515	183,813	87,826	537,631	-	988,785
TOTAL CURRENT LIABILITIES	383,371	256,423	119,102	802,319	162	1,561,377
NONCURRENT LIABILITIES:						
Revenue Bonds and Commercial Paper Payable	2,440,282	1,777,496	1,561,948	7,619,444	-	13,399,170
Net Pension Liability	1,646,441	663,872	296,025	1,542,137	-	4,148,475
Derivative Instrument Liability	91,806	-	31,360	-	-	123,166
Other	1,577	-	2,332	-	-	3,909
TOTAL NONCURRENT LIABILITIES	4,180,106	2,441,368	1,891,665	9,161,581	-	17,674,720
TOTAL LIABILITIES	4,563,477	2,697,791	2,010,767	9,963,900	162	19,236,097
DEFERRED INFLOWS	11,050	5,681	1,744	8,648	1,626,667	1,653,790
NET POSITION:						
Net Investment in Capital Assets	1,514,009	559,715	(150,431)	707,991	261,264	2,892,548
Restricted Net Position:						
Debt Service	-	-	11,034	14,798	-	25,832
Capital Projects	677	116,107	16,756	86,519	-	220,059
Passenger Facility Charges	-	-	5,701	149,306	-	155,007
Contractual Use Agreement	-	-	30,818	135,836	-	166,654
Air Development Fund	-	-	-	338,133	-	338,133
Customer Facility Charge	-	-	25,936	65,577	-	91,513
Other	-	-	7,735	38,047	-	45,782
Unrestricted Net Position	(563,173)	(299,584)	(191,025)	(1,061,607)	(1,615,778)	(3,731,167)
TOTAL NET POSITION	$ 951,513	$ 376,238	$ (243,476)	$ 474,600	$ (1,354,514)	$ 204,361

See notes to basic financial statements.

Exhibit 8
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2015
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago-Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Operating Revenues:						
Charges for Services - Net	$ 750,163	$ 374,770	$ 84,623	$ 546,053	$ -	$ 1,755,609
Rent	-	-	91,496	299,175	-	390,671
Other	19,245	1,107	-	-	-	20,352
Total Operating Revenues	769,408	375,877	176,119	845,228	-	2,166,632
Operating Expenses:						
Personnel Services	121,172	12,337	43,343	191,842	-	368,694
Contractual Services	56,402	3,299	20,954	83,265	-	163,920
Repairs and Maintenance	1,147	67,453	44,095	98,945	-	211,640
Commodities and Materials	22,357	-	-	-	-	22,357
Depreciation and Amortization	56,444	40,444	47,719	231,670	8,727	385,004
Capital Asset Impairment	-	-	-	3,320	-	3,320
General Fund Reimbursements	69,211	40,007	-	-	-	109,218
Pension Expense	436,025	187,593	60,767	339,546	-	1,023,931
Other	31,496	-	14,717	92,112	-	138,325
Total Operating Expenses	794,254	351,133	231,595	1,040,700	8,727	2,426,409
Operating Income (Loss)	(24,846)	24,744	(55,476)	(195,472)	(8,727)	(259,777)
Nonoperating Revenues (Expenses):						
Investment Income (Loss)	3,136	2,600	2,497	19,328	2	27,563
Interest Expense	(106,092)	(83,656)	(60,764)	(319,373)	-	(569,885)
Passenger Facility Charges	-	-	41,692	145,356	-	187,048
Customer Facility Charges	-	-	7,572	39,204	-	46,776
Noise Mitigation Costs	-	-	(23,323)	(8,998)	-	(32,321)
Cost of Issuance	-	-	(42)	(11,441)	-	(11,483)
Swap Termination Fees	-	(70,243)	-	-	-	(70,243)
Other	191	1,321	1,402	18,315	18,515	39,744
Total Nonoperating Revenues (Expenses)	(102,765)	(149,978)	(30,966)	(117,609)	18,517	(382,801)
Transfers Out	(625)	-	-	-	-	(625)
Capital Grants	-	-	9,279	76,689	-	85,968
Net Income (Loss)	(128,236)	(125,234)	(77,163)	(236,392)	9,790	(557,235)
Net Position (Deficit) - Beginning of Year - as restated (Note 17)	1,079,749	501,472	(166,313)	710,992	(1,364,304)	761,596
Net Position (Deficit) - End of Year	$ 951,513	$ 376,238	$ (243,476)	$ 474,600	$ (1,354,514)	$ 204,361

See notes to basic financial statements.

Exhibit 9
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2015
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago-Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Cash Flows from Operating Activities:						
Received from Customers	$ 752,908	$ 358,014	$ 174,654	$ 888,432	$ -	$ 2,174,008
Payments to Vendors	(76,860)	(33,131)	(79,932)	(216,459)	-	(406,382)
Payments to Employees	(121,172)	(42,894)	(31,590)	(175,052)	-	(370,708)
Transactions with Other City Funds	(29,944)	(42,764)	(19,043)	(68,644)	-	(160,395)
Cash Flows Provided By Operating Activities	524,932	239,225	44,089	428,277	-	1,236,523
Cash Flows from Capital and Related Financing Activities:						
Proceeds from Issuance of Bonds/ Commercial Paper/IEPA Loans	78,364	87,081	-	2,176,836	-	2,342,281
Acquisition and Construction of Capital Assets	(357,892)	(275,866)	(33,328)	(359,547)	-	(1,026,633)
Capital Grant Receipts	-	-	5,570	74,516	-	80,086
Bond Issuance Costs	(348)	-	(42)	(11,441)	-	(11,831)
Payment to Refund Bonds	-	-	-	(1,767,600)	-	(1,767,600)
Principal Paid on Debt	(52,435)	(39,837)	(17,265)	(240,631)	-	(350,168)
Interest Paid	(132,908)	(58,040)	(67,264)	(420,548)	-	(678,760)
Passenger and Customer Facility Charges	-	-	49,244	187,567	-	236,811
Swap Termination Fees	-	(70,243)	-	-	-	(70,243)
Concessionaire Funds	-	-	-	-	38	38
Cash Flows (Used in) Provided By Capital and Related Financing Activities	(465,219)	(356,905)	(63,085)	(360,848)	38	(1,246,019)
Cash Flows from Non Capital Financing Activities:						
Noise Mitigation Program	-	-	(23,324)	(8,998)	-	(32,322)
Proceeds from Settlement Agreement	-	-	1,403	984	-	2,387
Cash Flows Used in Non Capital Financing Activities	-	-	(21,921)	(8,014)	-	(29,935)
Cash Flows from Investing Activities:						
Sale (Purchases) of Investments, Net	223,420	200,252	73,092	373,361	199	870,324
Investment Income (Loss)	3,205	4,184	1,963	16,927	2	26,281
Cash Flows Provided By (Used in) Investing Activities	226,625	204,436	75,055	390,288	201	896,605
Net Increase (Decrease) in Cash and Cash Equivalents	286,338	86,756	34,138	449,703	239	857,174
Cash and Cash Equivalents, Beginning of Year	36,147	90,452	134,614	964,696	676	1,226,585
Cash and Cash Equivalents, End of Year	$ 322,485	$ 177,208	$ 168,752	$ 1,414,399	$ 915	$ 2,083,759

See notes to basic financial statements.

Exhibit 9 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2015
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago-Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Reconciliation of Operating Income to Cash Flows from Operating Activities:						
Operating Income (Loss)	$ (24,846)	$ 24,744	$ (55,476)	$ (195,472)	$ (8,727)	$ (259,777)
Adjustments to Reconcile:						
Depreciation and Amortization	56,444	40,444	47,719	234,990	8,727	388,324
Pension Expense Other than Contribution	423,345	183,165	54,635	313,746	-	974,891
Provision for Uncollectible Accounts	23,593	16,154	38	-	-	39,785
Change in Assets and Liabilities:						
(Increase) Decrease in Receivables	(37,538)	(31,874)	(1,843)	(14,127)	-	(85,382)
(Increase) Decrease in Due From Other Funds	56,927	3,223	(7,749)	2,219	-	54,620
Increase (Decrease) in Voucher Warrants Payable and Due to Other Funds	(601)	(3,473)	6,391	29,413	-	31,730
Increase (Decrease) in Unearned Revenue and Other Liabilities	27,107	7,035	304	57,331	-	91,777
(Increase) Decrease in Inventories and Other Assets	501	(193)	70	177	-	555
Cash Flows from Operating Activities	$ 524,932	$ 239,225	$ 44,089	$ 428,277	$ -	$ 1,236,523

	Water	Sewer	Chicago-Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Supplemental Disclosure of Noncash Items:						
Capital asset additions in 2015 have outstanding accounts payable and accrued and other liabilities	$ 85,942	$ 101,584	$ 26,441	$ 140,257	$ -	$ 354,224

See notes to basic financial statements.

Exhibit 10
CITY OF CHICAGO, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2015
(Amounts are in Thousands of Dollars)

	Pension Trust	Agency
ASSETS		
Cash and Cash Equivalents	$ 183,456	$ 248,865
Investments	-	65,822
Investments, at Fair Value		
Bonds and U.S. Government Obligations	2,081,125	-
Stocks	4,605,898	-
Mortgages and Real Estate	674,155	-
Other	1,629,680	-
Cash and Investments with Escrow Agent	-	5,212
Property Tax Receivable	-	91,552
Accounts Receivable, Net	1,086,308	68,161
Due From City	69,758	-
Property, Plant, Equipment and other	363	-
Invested Securities Lending Collateral	699,769	-
Total Assets	$ 11,030,512	$ 479,612
LIABILITIES		
Voucher Warrants Payable	$ 246,543	$ 31,684
Accrued and Other Liabilities	-	447,928
Securities Lending Collateral	699,769	-
Total Liabilities	$ 946,312	$ 479,612
Deferred Inflows	$ 66	$ -
Total Liabilities and Deferred Inflows	$ 946,378	$ 479,612
NET POSITION		
Restricted for Pension Benefits	10,084,134	
Total Net Position	$ 10,084,134	

See notes to basic financial statements.

Exhibit 11
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CHANGES IN PLAN NET POSITION
FIDUCIARY FUNDS - PENSION TRUST FUNDS
Year Ended December 31, 2015
(Amounts are in Thousands of Dollars)

	Total
ADDITIONS	
Contributions:	
Employees	$ 302,450
City	993,048
Total Contributions	1,295,498
Investment Income:	
Net Appreciation in Fair Value of Investments	(89,658)
Interest, Dividends and Other	231,605
Investment Expense	(48,260)
Net Investment Income	93,687
Securities Lending Transactions:	
Securities Lending Income	3,039
Securities Lending Expense	341
Net Securities Lending Transactions	3,380
Total Additions	1,392,565
DEDUCTIONS	
Benefits and Refunds of Deductions	1,955,829
Administrative and General	18,204
Total Deductions	1,974,033
Net Increase in Net Position	(581,468)
Net Position:	
Beginning of Year	10,665,602
End of Year	$ 10,084,134

See notes to basic financial statements.

1) **Summary of Significant Accounting Policies**

The City of Chicago (City), incorporated in 1837, is a "home rule" unit under State of Illinois (State) law. The City has a mayor-council form of government. The Mayor is the Chief Executive Officer of the City and is elected by general election. The City Council is the legislative body and consists of 50 members, each representing one of the City's 50 wards. The members of the City Council are elected through popular vote by ward for four-year terms.

The accounting policies of the City are based upon accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Effective January 1, 2015, the City adopted the following GASB Statements:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* ("GASB 68"), established new financial reporting requirements for most governments that provide their employees with pension benefits through these types of plans. The City adopted GASB 68 for the year ended December 31, 2015. GASB 68 replaced the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and GASB Statement No. 50, *Pension Disclosures,* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 required governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhanced accountability and transparency through revised and new note disclosures and required supplementary information (see RSI, and Notes 11 and 17). Beginning Net Position was restated as a result of implementation of this standard (see Note17).

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* ("GASB 71"), relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The City adopted GASB 71 for the year ended December 31, 2015. This Statement amended paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability and requires that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. There was no impact on the City's Financial Statements as a result of the implementation of GASB 71.

Other accounting standards that the City is currently reviewing for applicability and potential impact on the financial statements include:

GASB Statement No. 72 *Fair Value Measurement and Application* ("GASB 72"), addresses accounting and financial reporting issues related to fair value measurements. GASB 72 will be effective for the City beginning with its year ending December 31, 2016. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and the related disclosures. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. This Statement also requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"), extends the approach to accounting and financial reporting established in Statement 68 to all pensions. Requirements of this Statement for pension plans that are within the scopes of Statement No. 67, *Financial Reporting for Pensions* or Statement 68 will be effective for the City beginning with its year ending December 31, 2016. It establishes requirements for defined contribution pensions that are not within the scope of Statement 68. GASB 73 clarifies the application of certain provisions of Statements 67 and 68 with regard to: (1) Information that is required to be presented as notes, (2) Accounting and financial reporting for separately financed specific liabilities, and (3) Timing of employer recognition of revenue.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 74"), replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, and No. 57, *OPEB (Other Postemployment Benefits) Measurement by Agent Employers and Agent Multiple-Employer Plans.* GASB 74 will be effective for the City beginning with its year ending December 31, 2017. Included are requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures.* GASB 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. GASB 75 will be effective for the City beginning with its year ending December 31, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("GASB 76"), supercedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* GASB 76 will be effective for the City beginning with its year ending December 31, 2016.

GASB Statement No. 77, *Tax Abatement Disclosures* ("GASB 77"), requires governments that enter into tax abatement agreements to disclose: (1) Brief descriptive information concerning the agreement; (2) The gross dollar amount of taxes abated during the period; and 3) Commitments made by government, other than to abate taxes, that are part of the tax abatement agreement. GASB 77 will be effective for the City beginning with its year ending December 31, 2016.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* ("GASB 78"), amends the scope and applicability of Statement 68. It excludes pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local government employers, and (3) has no predominate state or local government employer. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosure; and required supplementary information for pensions that have the characteristics described above. GASB 78 will be effective for the City beginning with its year ending December 31, 2016.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* ("GASB 79"), addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. GASB 79 establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized costs for financial reporting purposes and for governments that participate in those pools. GASB 79 will be effective for the City beginning with its year ending December 31, 2016.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, an amendment of GASB Statement No. 14 ("GASB 80"), amends the blending requirements for the financial statement presentation of component units of all state and local governments. GASB 80 will be effective for the City beginning with its year ending December 31, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* ("GASB 81"), requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB 81 will be effective for the City beginning with its year ending December 31, 2017.

GASB Statement No. 82, *Pension Issues*, an amendment of GASB Statements No. 67, No. 68, and No. 73 ("GASB 82"), addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (Plan member) contribution requirements. GASB 82 will be effective for the City beginning with its year ending December 31, 2017.

a) **Reporting Entity** - The City includes the Chicago Public Library. The financial statements for the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), applicable to governmental units, as required by the Municipal Code of Chicago (Code).

The City's financial statements include the following legal entities as fiduciary trust funds:

The Municipal Employees' Annuity and Benefit Fund of Chicago is governed by a five-member board: three members are elected by plan participants and two are members ex-officio.

The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago is governed by an eight-member board: two members are elected by plan participants, two are members ex-officio, two members are appointed by the City Department of Human Resources, one member is elected by retired plan participants and one member is elected by the local labor union.

The Policemen's Annuity and Benefit Fund of Chicago is governed by an eight-member board: four members are elected by plan participants and four are appointed by the Mayor.

The Firemen's Annuity and Benefit Fund of Chicago is governed by an eight-member board: four members are elected by plan participants and four are members ex-officio.

Financial statements for each of these four pension plans (collectively,"Pension Plans") may be obtained at the respective Pension Plans office.

Related Organizations - City officials are responsible for appointing a voting majority of the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making appointments and no financial accountability or fiscal dependency exists between the City and these organizations. Therefore, the Chicago Park District, Chicago Public Building Commission, Chicago Public Schools, Community College District No. 508, Chicago Housing Authority and the Chicago Transit Authority are deemed to be related organizations.

b) **Government-wide and fund financial statements** - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) **Measurement focus, basis of accounting, and financial statement presentation** - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period with the exception of property tax revenue, which is recorded as deferred inflows unless taxes are received within 60 days subsequent to year-end. Licenses and permits, charges for services and miscellaneous revenues are not considered to be susceptible to accrual and are recorded as revenues when received in cash. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting, except for interest and principal on long-term debt, the long-term portion of compensated absences, claims and judgments, and pension obligations.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

Federal, State and Local Grants Fund accounts for the expenditures for programs, which include general government, health, public safety, transportation, aviation, cultural and recreational, and capital outlays. The majority of revenues are provided by several agencies of the Federal government, departments of the Illinois State government and City resources.

Special Taxing Areas Fund accounts for expenditures for special area operations and maintenance and for redevelopment project costs as provided by tax levies on special areas.

Service Concession and Reserve Fund accounts for monies committed for mid- and long-term uses. The Mid-term portion is subject to appropriation for neighborhood human infrastructure programs, health, and other initiatives, whereas the Long-term portion is committed for future budgetary and credit rating stabilization. These reserves were created as a result of the Skyway Lease and Parking Meter System transactions. The deferred inflows result from long-term concession and lease transactions whose proceeds are recognized as revenue over the term of the agreements.

Bond, Note Redemption and Interest Fund accounts for the expenditures for principal and interest as provided by property tax, utility tax, sales tax, transportation tax, and investment income.

Community Development and Improvement Projects Funds account for proceeds of debt used to acquire property, finance construction, and finance authorized expenditures and supporting services for various activities.

Within the governmental fund types, fund balances are reported in one of the following classifications:

Nonspendable includes amounts that cannot be spent because they are either: (a) not in a spendable form; or (b) legally or contractually required to be maintained intact.

Restricted includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed includes amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority (i.e, City Council); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint. The City's highest level of decision-making authority is held by the City Council. The City Council passes Ordinances to commit their fund balances.

Assigned includes amounts that are constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by: (a) the City Council itself; or (b) a body or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes. The Budget Director or Comptroller have authority to assign amounts related to certain legal obligations outside of the appropriation process within the General Fund. Within the other governmental fund types (special revenue, debt service, and capital projects) resources are assigned in accordance with the established fund purpose and approved appropriation. Residual fund balances in these fund types that are not restricted or committed are reported as assigned.

Unassigned includes the residual fund balance that has not been restricted, committed, or assigned within the General Fund and deficit fund balances of other governmental funds.

The City reports the following major proprietary funds as business-type activities:

Water Fund accounts for the operations of the Chicago Water System (Water). The Water system purifies and provides Lake Michigan water for the City and 125 suburbs. The Water Fund operates two water purification facilities with a combined pumping capacity of 2,160 million gallons per day and 12 pumping stations with a combined pumping capacity of 3,661 million gallons per day.

Sewer Fund accounts for the operations of the Wastewater Transmission System (Sewer). The Sewer system transports wastewater to the Metropolitan Water Reclamation District of Greater Chicago for processing and disposal. This service is provided for the residents and businesses of the City and certain suburban customers.

Chicago Midway International Airport Fund records operations of Chicago Midway International Airport (Midway) that provides regional travelers with access to airlines that generally specialize in low-cost, point-to-point, origin and destination passenger services. Midway Airport is conveniently located 10 miles from downtown Chicago.

Chicago-O'Hare International Airport Fund records operations of Chicago-O'Hare International Airport (O'Hare), the primary commercial airport for the City. The airlines servicing the airport operate out of four terminal buildings. Three domestic terminal buildings, having a total of 169 gates, serve domestic flights and certain international departures. The International Terminal, having a total of 20 gates and five remote aircraft parking positions, serves the remaining international departures and all international arrivals requiring customs clearance.

- **Chicago Skyway Fund** records operations of the Chicago Skyway (Skyway) which provides vehicle passage across the Calumet River, between the State of Indiana and the State of Illinois (State) through the operation of a tollway which consists of a 7.8-mile span connecting the Dan Ryan Expressway to the Indiana Toll Road. Facilities include a single toll plaza consisting of a central office, maintenance garage and toll collection area. In January 2005, the City entered into a long-term Concession and Lease Agreement of the Skyway, granting a private company the ability to operate and to collect toll revenue during the 99-year term of the agreement. The City received a one-time upfront payment of $1.83 billion.

Additionally, the City reports the following fiduciary funds:

- **Pension Trust Funds** report expenditures for employee pensions as provided by employee and employer contributions and investment earnings.

- **Agency Funds** account for transactions for assets held by the City as agent for certain activities or for various entities. Payroll deductions and special deposits are the primary transactions accounted for in these funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between the City's water, sewer, airports and skyway funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods and services, or privileges provided, or fines; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

In the fund financial statements, proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. The airport funds' principal operating revenues are derived from landing fees and terminal use charges as well as rents and concessions. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

d) **Assets, liabilities, deferred inflows, deferred outflows, and net position or equity**

i) **Cash, Cash Equivalents and Investments** generally are held with the City Treasurer as required by the Code. Interest earned on pooled investments is allocated to participating funds based upon their average combined cash and investment balances. Due to contractual agreements or legal restrictions, the cash and investments of certain funds are segregated and earn and receive interest directly. The City uses separate escrow accounts in which certain tax revenues are deposited and held for payment of debt.

The Code permits deposits only to City Council-approved depositories, which must be regularly organized state or national banks and federal and state savings and loan associations, located within the City, whose deposits are federally insured.

Investments authorized by the Code include interest-bearing general obligations of the City, State and U.S. Government; U.S. Treasury bills and other noninterest-bearing general obligations of the U.S. Government purchased in the open market below face value; domestic money market funds regulated and in good standing with the Securities and Exchange Commission and tax anticipation warrants issued by the City. The City is prohibited by ordinance from investing in derivatives, as defined, without City Council approval. The City values its investments at fair value or amortized cost. U.S. Government securities purchased at a price other than par with a maturity of less than one year are reported at amortized cost.

The City's four retirement plans are authorized to invest in bonds, notes, and other obligations of the U.S. Government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; real estate; and other investment vehicles as set forth in the Illinois Compiled Statutes. These investments are reported at fair value.

Repurchase agreements can be purchased only from banks and certain other institutions authorized to do business in the State. The City Treasurer requires that securities that are pledged to secure these agreements have a fair value equal to the cost of the repurchase agreements plus accrued interest.

Investments generally may not have a maturity date in excess of thirty years from the date of purchase. Certain other investments are held in accordance with the specific provisions of applicable ordinances.

Cash equivalents include certificates of deposit and other investments with maturities of three months or less when purchased.

Deficit cash balances result in interfund borrowings from the aggregate of funds other than escrowed funds. Interest income and expense are generally not recognized on these interfund borrowings.

State statutes and the City's Pension Plans' policies permit lending Pension Plan securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. Securities lent at year-end for cash collateral are presented as not categorized in the schedule of custodial credit risk; securities lent for securities collateral are classified according to the category for the collateral.

ii) **Receivables and Payables** activity between funds are representative of services rendered, outstanding at the end of the fiscal year, and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance is based on historical trends. The estimated value of services provided but unbilled at year-end has been included in receivables.

iii) **Inventory** includes government-wide inventories, which are stated at cost determined principally, using the average cost method. For proprietary funds, the costs of inventories are recorded as expenses when used (consumption method). Governmental fund inventories are accounted for using the purchases method and represent nonspendable resources because they do not represent expendable available financial resources.

iv) **Assets Held for Resale** includes land and buildings of $4.1 million, recorded at lower of cost or market in the Federal, State and Local Grant Funds. These assets are purchased through the use of federal grants and City resources and are intended to be resold.

v) **Restricted Assets** include certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment. These assets are classified as restricted or committed in the basic financial statements because they are maintained in separate bank accounts and their use is limited by applicable bond covenants or specific City Council action.

The Water and Sewer funds maintain Rate Stabilization Accounts where any net revenues remaining after providing sufficient funds for all required deposits in the bond accounts may be transferred upon the direction of the City to be used for any lawful purpose of the specific fund.

The O'Hare and Midway funds maintain Passenger Facility Charge accounts as restricted as they are subject to Federal Aviation Administration regulation and approval, to finance specific eligible capital and debt related activities.

vi) Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets, or a network of assets, with an initial cost of more than $5,000 (not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed. The total interest expense (Governmental and Business Activities) incurred by the City during the current fiscal year was $1,490.2 million, of which $70.1 million was capitalized as part of the capital assets under construction projects in proprietary funds.

Property, plant, and equipment of the City are depreciated using the straight-line method, in the year subsequent to acquisition or when placed into service, over the following estimated useful lives:

Utility plant	25 - 100 years
Utility structures and improvements	50 - 100 years
Buildings and improvements	15 - 40 years
Airport runways, aprons, tunnels, taxiways, and paved roads	5 - 30 years
Bridge infrastructure	10 - 40 years
Lighting infrastructure	25 years
Street infrastructure	10 - 25 years
Transit infrastructure	40 years
Equipment (vehicle, office, and computer)	5 - 20 years

The City has a collection of artwork and historical treasures presented for public exhibition and education that are being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other acquisitions. A portion of this collection is not capitalized or depreciated as part of capital assets.

vii) Deferred Outflows represent the fair value of derivative instruments that are deemed to be effective hedges and unamortized loss on bond refundings, differences between estimated and actual investment earnings related to pensions, and changes in actuarial assumptions related to pensions.

viii) Employee Benefits are granted for vacation and sick leave, workers' compensation and health care. Unused vacation leave is accrued and may be partially carried over for one year. Sick leave is accumulated at the rate of one day for each month worked, up to a maximum of 200 days. Severance of employment terminates all rights to receive compensation for any unused sick leave. Sick leave pay is not accrued. Employee benefit claims outstanding, including claims incurred but not reported, are estimated and recorded in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Employees are eligible to defer a portion of their salaries until future years under the City's deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Third-party administrators who maintain the investment portfolio administer the Plan. The plan's assets have been placed in trust accounts with the plan administrators for the exclusive benefit of participants and their beneficiaries and are not considered assets of the City.

The City is subject to the State of Illinois Unemployment Compensation Act and has elected the reimbursing employer option for providing unemployment insurance benefits for eligible former employees. Under this option, the City reimburses the State for claims paid by the State. Expenditures for workers' compensation are recorded when paid in the governmental funds. A liability for these amounts is recorded in the government-wide and proprietary fund financial statements.

ix) **Judgments and claims** are included in the government-wide financial statements and proprietary fund types. Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. In the fund financial statements, expenditures for judgments and claims are recorded on the basis of settlements reached or judgments entered within the current fiscal year. Amounts that related to deferred compensatory time and reserves for questioned costs are treated the same way.

x) **Long-term obligations** are included in the government-wide financial statements and proprietary fund types in the fund financial statements. Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the related debt, except in the case of refunding debt transactions where the amortization period is over the term of the refunding or refunded debt, whichever is shorter.

The City enters into interest rate swap agreements to modify interest rates and/or cash flows on outstanding debt. For existing swaps, the net interest expenditures resulting from these arrangements are recorded as interest expense. The fair value of derivative instruments that are deemed to be effective is accounted for as deferred outflows. Derivative instruments that are deemed not effective are adjusted to fair value with the change in fair value recorded to investment earnings. Under certain bond ordinances adopted by the City Council, interest rate swaps and swaptions are authorized to be entered into by designated City officials in connection with certain bonds issued by the City. For swaps related to O'Hare Bonds or Midway Bonds, airline approval is also required before entering into a swap agreement.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts given on debt issued are reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Certain debt obligations are to be paid from sales tax, motor fuel or special area taxes.

Pension
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's four pension plans and additions to/deductions from the City's Pension Plans fiduciary net position have been determined on the same basis as they are reported by the Pension Plans. For this purpose,

benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The financial statements of the Plans are prepared using the accrual basis of accounting.

xi) **Deferred inflows** represent amounts to be recognized as revenue on a straight line basis over the life of the related long-term lease and concession agreements and differences between projected and actual actuarial experience related to pensions. In the fund financials, grants that meet all of the eligibility criteria except for time availability and property taxes levied for a future period are also included in deferred inflows.

xii) **Fund equity** in the government-wide statements is classified as net position and displayed in three components:

(1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or any other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(2) Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or are legally restricted through constitutional provisions or enabling legislation.

Restricted net position for business activities are provided in Exhibit 7, Statement of Net Position, Proprietary Funds.

(3) Unrestricted - All other net positions that do not meet the definition of "restricted" or "net investment in capital assets." As of December 31, 2015, the unrestricted net position represents a deficit.

2) **Reconciliation of Government-wide and Fund Financial Statements**

a) **Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position**

i) The governmental funds balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds." The details of this $1,623.9 million are as follows (dollars in thousands):

Deferred inflows - property tax	$ 1,384,729
Deferred inflows - grants	239,199
Net adjustment to increase fund balance - total governmental funds - to arrive at net position - governmental activities	$ 1,623,928

ii) Another element of that reconciliation explains that "Certain liabilities and deferred outflows, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $35,150.7 million are as follows (dollars in thousands):

Long-term liabilities:		
Total bonds, notes and certificates payable	$	10,608,314
Pension benefits		29,697,694
Other postemployment benefits		214,535
Pollution remediation		32,850
Claims and judgments		850,561
Total Long-term liabilities		41,403,954
Accounts payable - infrastructure retainage		19,245
Bonds, notes and other obligations payable current		(150,891)
Other assets - issuance costs (bond insurance)		(13,037)
Deferred outflows-unamortized loss on refunding		(147,937)
Deferred outflows-pension costs		(7,039,762)
Deferred inflows-pension		187,878
Accrued and other liabilities - compensated absences		88,909
Accrued and other liabilities - pension payable to pension funds		802,302
Net adjustment to reduce fund balance - total governmental funds - to arrive at net position - governmental activities	$	35,150,661

b) **Explanation of certain differences between the governmental funds' statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

i) The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position - governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $223.1 million are as follows (dollars in thousands):

Capitalized asset expenditures	$	596,883
Depreciation expense		(373,696)
Loss - on disposal of capital assets		(134)
Net adjustment to increase net changes in fund balances - total governmental funds - to arrive at changes in net position - governmental activities	$	223,053

ii) Another element of that reconciliation states that "Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position." The details of this decrease of $824.9 million are as follows (dollars in thousands):

Proceeds of debt	$	(1,117,047)
Proceeds from Line of Credit	$	(239,131)
Premium		23,108
Principal retirement		513,806
Interest expense		(5,664)
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net position - governmental activities	$	(824,928)

Another element of that reconciliation states that "Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this decrease of $4,825.5 million are as follows (dollars in thousands):

Claims and judgments	$	50,055
Pension costs	$	(4,884,903)
Other post employment benefit liabilities		38,409
Pollution remediation		(24,318)
Vacation		1,951
Lease obligations		(6,052)
Inventory		(670)
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net position - governmental activities	$	(4,825,528)

3) **Stewardship, Compliance and Accountability**

a) **Annual Appropriation Budgets** are established for the General Fund and the Vehicle Tax, Pension, Chicago Public Library and certain Miscellaneous, Special Events, Tourism and Festivals nonmajor Special Revenue Funds, on a non-GAAP budgetary basis:

i) Prior to October 15, the Mayor submits to the City Council a proposed budget of expenditures and the means of financing them for the next year.

ii) The budget document is available for public inspection for at least ten days prior to passage of the annual appropriation ordinance by the City Council, which is also required to hold at least one public hearing.

iii) Prior to January 1, the budget is legally enacted through passage of the appropriation ordinance.

iv) Subsequent to the enactment of the appropriation ordinance, the City Council has the authority to make necessary adjustments to the budget, which results in a change in total or individual appropriations. The legal level of budgetary control is designated in the budget by object grouped by purpose except for the Motor Fuel Tax Fund, which is subsequently re-appropriated by project. A separate Motor Fuel Tax Fund Report demonstrates compliance with annual and project-length budgets required by the State. The separately issued Supplement to the Comprehensive Annual Financial Report provides budgetary information for all other budgeted funds. Copies of this report are available upon request.

v) All annual appropriations unused and unencumbered lapse at year-end. Encumbered appropriations are carried forward to the following year. Project-length financial plans are adopted for Capital Project Funds. Appropriations for Debt Service Funds are established by bond ordinance.

b) **Reconciliation of GAAP Basis to Budgetary Basis** - The City's budgetary basis of accounting used for budget vs. actual reporting differs from GAAP. For budgetary purposes, encumbrances are recorded as expenditures but are included in "Unassigned" fund balance for GAAP purposes. For budgetary purposes, proceeds of long-term debt and transfers in are classified as revenues. For budgetary purposes prior years' resources used to cover current year budgetary expenditures are recorded as revenues. For GAAP purposes, proceeds of long-term debt and transfers out are treated as other financing sources. Provision for doubtful account expenditures are not budgeted. A reconciliation of the different basis of revenue and expenditure recognition for the year ended December 31, 2015 is as follows (dollars in thousands):

	General Fund
Revenues, GAAP Basis	$ 3,466,635
Add:	
Proceeds of Debt	19,300
Transfers In	34,551
Prior Year's Surplus Utilized	-
Revenues, Budgetary Basis	$ 3,520,486
Expenditures, GAAP Basis	$ 3,433,102
Add:	
Transfers Out	12,760
Encumbered in 2015	24,377
Deduct:	
Payments on Prior Years' Encumbrances	(35,144)
Provision for Doubtful Accounts and Other	(6,027)
Expenditures, Budgetary Basis	$ 3,429,068

c) **Individual Fund Deficits** include the Chicago Skyway Fund, an Enterprise Fund, which has a fund deficit of $1,354.5 million which management anticipates will be funded through recognition of deferred inflows. Midway International Airport Fund has a fund deficit of $243.5 million which will be funded through future revenues. Federal State and Local Grants, a governmental fund, has a deficit of $216.1 million and will be funded by the recognition of deferred grant inflows and unearned revenue. The Service Concession and Reserve Fund, a Special Revenue Fund, has a deficit fund balance of $934.0 million which will be funded through the recognition of deferred inflows.

4) **Restricted and Unrestricted Cash, Cash Equivalents and Investments**

a) **Investments** As of December 31, 2015, the City had the following Investments (dollars in thousands):

Investment Type	Less Than 1	1-5	6-10	More Than 10	Total
City Funds					
U.S. Treasuries	$ -	$ 19,759	$ -	$ -	$ 19,759
U.S. Agencies*	646,573	1,262,652	57,305	100,795	2,067,325
Commercial Paper	319,725	-	-	-	319,725
Corporate Bonds	109,108	302,188	452,131	25,760	889,187
Municipal Bonds	106,366	297,016	38,896	34,550	476,828
Certificates of Deposit and Other Short-term	2,945,863	-	-	-	2,945,863
Total City Funds	$ 4,127,635	$ 1,881,615	$ 548,332	$ 161,105	$ 6,718,687

*U.S. Agencies include investments in government-sponsored enterprises such as Federal National Mortgage Association, Federal Home Loan Banks, and Federal Home Loan Mortgage Corporation.

Investment Type	Less Than 1	1-5	6-10	More Than 10	Total
Pension Trust Funds					
U.S. and Foreign Government Agencies	$ 268,952	$ 241,993	$ 156,006	$ 361,048	$ 1,027,999
Corporate Bonds	768,419	506,897	362,282	231,212	1,868,810
Corporate Equities	5,061,898	-	-	-	5,061,898
Pooled Funds	28,134	2,092	18,709	-	48,935
Real Estate	646,871				646,871
Securities Received from Securities Lending	699,769				699,769
Venture Capital	309,692				309,692
Certificates of Deposit and Other Short-term	161,508				161,508
Derivatives	66				66
Other	38,933	6,459	2,653	-	48,045
Total Pension Trust Funds	$ 7,984,242	$ 757,441	$ 539,650	$ 592,260	$ 9,873,593
Total	$ 12,111,877	$ 2,639,056	$ 1,087,982	$ 753,365	$ 16,592,280

i) Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits all securities so purchased, except tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation of the City, which shall show on their face that they are fully payable as to principal and interest, where applicable, if any, within thirty years from the date of purchase.

ii) Credit Risk – With regard to credit risk, the Code limits the investments in securities to:

(1) Interest-bearing general obligations of the United States and the State of Illinois;

(2) United States treasury bills and other non-interest bearing general obligations of the United States or United States government agencies when offered for sale at a price below the face value of same, so as to afford the city a return on such investment in lieu of interest;

(3) Tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation issued by the City of Chicago;

(4) Commercial paper which: (1) at the time of purchase, is rated in the two highest classifications by at least two accredited ratings agencies; and (2) matures not more than 270 days after the date of purchase;

(5) Reverse repurchase agreement if: (1) the term does not exceed 90 days; and (2) the maturity of the investment acquired with the proceeds of the reverse repurchase agreement does not exceed the expiration date of the reverse repurchase agreement; Reverse repurchase agreements may be transacted with primary dealers and financial institutions, provided that the City has on file a master repurchase agreement;

(6) Certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance; provided that any amount of the deposit in excess of the federal deposit insurance shall be collateralized as noted in *Custodial Credit Risk – Cash and Certificates of Deposit* below;

(7) Bankers acceptance of banks whose senior obligations, at the time of purchase, are rated in either the AAA or AA rating categories by at least two accredited ratings agencies;

(8) Tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the City's tax-exempt debt obligations;

(9) Domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission; provided that such money market mutual funds' portfolios are limited to investments authorized by this section;

(10) Any other suitable investment instrument permitted by state laws governing municipal investments generally, subject to the reasonable exercise of prudence in making investments of public funds;

(11) Except where otherwise restricted or prohibited, a non-interest-bearing savings account, non-interest-bearing checking account or other non-interest bearing demand account established in a national or state bank, or a federal or state savings and loan association, when, in the determination of the treasurer, the placement of such funds in the non-interest bearing account is used as compensating balances to offset fees associated with that account that will result in cost savings to the City;

(12) Bonds of companies organized in the United States with assets exceeding $500.0 million that, at the time of purchase, are rated not less than A-, or equivalent rating, by at least two accredited ratings agencies;

(13) Debt instruments of international financial institutions, including but not limited to the World Bank and the International Monetary Fund, that, at the time of purchase, are rated within 4 intermediate credit ratings of the United States sovereign credit rating by at least two accredited ratings agencies, but not less than an A-rating, or equivalent rating. The maturity of investments authorized in this subsection shall not exceed 10 years. For purposes of this subsection, an "international financial institution" means a financial institution that has been established or chartered by more than one country and the owners or shareholders are generally national governments or other international institutions such as the United Nations;

(14) United States dollar denominated debt instruments of foreign sovereignties that, at the time of purchase, are rated within 4 intermediate credit ratings of the United States sovereign credit rating by at least two accredited ratings agencies, but not less than an A-rating or equivalent rating;

(15) Interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the city or held under a custodial agreement at a bank. The bonds shall be rated, at the time of purchase, not less than A-, or equivalent rating, by at least two accredited rating agencies with nationally recognized expertise in

rating bonds of states and their political subdivisions;

(16)Bonds registered and regulated by the Securities and Exchange Commission and for which the full faith and credit of the State of Israel is pledged for payment; provided that the bonds have an A-rating or above or equivalent rating by at least two accredited ratings agencies;

(17)Bonds, notes, debentures, or other similar obligations of agencies of the United States rated, at the time of purchase, no less than AAA by at least two accredited rating agencies.

Total holdings across all funds held by the treasurer shall have no less than an overall average rating of Aa1 on a quarterly basis, as rated by two accredited rating agencies. The following schedule summarizes the City's and Pension Trust Funds' exposure to credit risk (in thousands):

Quality Rating	City	Quality Rating	Pension Trust Funds
Aaa/AAA	$ 158,839	Aaa/AAA	$ 214,046
Aa/AA	2,298,276	Aa/AA	109,917
A/A	643,100	A/A	173,539
Baa/BBB	14,081	Baa/BBB	340,618
Ba/BB	-	Ba/BB	229,839
B/B	-	B/B	173,386
Caa/CCC	-	Caa/CCC	32,295
Ca	-	Ca	748
C/CC	-	C/CC	246
D/D	-	D/D	356
P1/A1	29,959	Not Rated	315,476
Not Rated*	3,574,432	Other	578,400
Total Funds	$ 6,718,687		$ 2,168,866

*Not rated is primarily composed of money market mutual funds.

iii) *Custodial Credit Risk – Cash and Certificates of Deposit:* This is the risk that in the event of a bank failure, the City's Deposits may not be returned. The City's Investment Policy states that in order to protect the City public fund deposits, depository institutions are to maintain collateral pledges on City deposits and certificates of deposit during the term of the deposit.

For certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance, any amount of the deposit in excess of the federal deposit insurance shall be either: (1) fully collateralized at least 102 percent by: (i) marketable U.S. government securities marked to market at least monthly; (ii) bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States; or (iii) bonds, notes or other securities constituting a direct and general obligation of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois or of any other state, or of any political subdivision or agency of the State of Illinois or any other state which are rated in either the AAA or AA rating categories by at least two accredited ratings agencies and maintaining such rating during the term of such investments; (2) secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category as rated by a nationally recognized statistical rating organization and maintaining such rating during the term of such investment; or (3) fully collateralized at least 102 percent by an irrevocable letter of credit issued in favor of the City of Chicago by the Federal Home Loan Bank, provided that the Federal Home Loan Bank's short-term debt obligations are rated in the highest rating category by at least one accredited ratings agency throughout the term of the certificate of deposit.

The collateral required to secure City funds must be held in safekeeping and pursuant to collateral agreements which would prohibit release or substitution of pledged assets without proper written notification and authorization of the City Treasurer. The final maturity of acceptable collateral pledged shall not exceed 120 months.

The bank balance of cash and certificates of deposit with the City's various municipal depositories was $626.6 million. 98.3 percent of the bank balance was either insured or collateralized with securities held by City agents in the City's name. $10.5 million was uncollateralized at December 31, 2015, and thus was subject to custodial credit risk.

iv) *Custodial Credit Risk – Investments:* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City has no custodial credit risk exposure because investment securities are insured, registered and held by the City.

v) *Foreign Currency Risk* - In the case of the Pension Trust Funds, this is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The risk of loss is managed by limiting its exposure to fair value loss by requiring their international securities managers to maintain diversified portfolios. The following schedule summarizes the Pension Trust Funds' exposure to foreign currency risk (in thousands):

Foreign Currency Risk	
Australian dollar	$ 52,232
Brazilian real	25,609
British pound	339,778
Canadian dollar	58,646
Chilean peso	1,782
Chinese yuan	(64)
Columbian peso	1,471
Costa Rica colon	54
Czech Republic koruna	2,897
Danish krone	27,610
Egyptian pound	299
European euro	384,275
HK Chinese Yuan renminbi	1
Hong Kong dollar	150,575
Hungarian forint	377
Indian rupee	41,962
Indonesian rupiah	17,462
Japanese yen	334,440
Malaysian ringgit	6,669
Mexican peso	25,405
New Israeli shekel	9,497
New Romanian leu	(1)
New Taiwan dollar	32,036
New Zealand dollar	1,078
Norwegian krone	15,429
Pakistan rupee	380
Peruvian Nuevo Sol	(1)
Philippines peso	6,493
Polish zloty	3,390
Qatari riyal	602
Russian ruble	129
Singapore dollar	11,021
South African rand	28,168
South Korean won	56,261
Swedish krona	50,990
Swiss franc	93,798
Taiwan dollar	5,529
Thailand baht	11,737
Turkish lira	11,649
United Arab Emirates dirham	4,313
Uruguayan peso	8
Total Pension Trust Funds	$ 1,813,986

vi) The following schedule summarizes the cash and investments reported in the basic financial statements (dollars in thousands):

Per Note 4:		
Investments - City	$	6,718,687
Investments - Pension Trust Funds		9,873,593
	$	16,592,280
Per Financial Statements:		
Restricted Investments	$	2,443,048
Unrestricted Investments		913,742
Investments with Fiduciary Funds		9,056,680
Investments with Escrow Agent		666,686
Invested Securities Lending Collateral		699,769
Investments Included as Cash and Cash Equivalents on the Statement of Net Position		2,812,355
	$	16,592,280

5) **Property Tax**

The City's property tax becomes a lien on real property on January 1 of the year it is levied. The Cook County Assessor (Assessor) is responsible for the assessment of all taxable real property within Cook County (County), except for certain railroad property assessed directly by the State. The County Board has established a triennial cycle of reassessment in which one-third of the County will be reassessed each year on a repeating schedule established by the Assessor.

Property in the County is separated into fifteen classifications for assessment purposes. After the Assessor establishes the fair market value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (Assessed Valuation) for that parcel. These percentages range from 10.0 percent for certain residential, commercial, and industrial property to 25.0 percent for other commercial and industrial property.

The Illinois Department of Revenue has the statutory responsibility of ensuring uniformity of real property assessments throughout the State. Each year, the Department of Revenue furnishes the county clerks with an adjustment factor to equalize the level of assessment among counties. This factor (Equalization Factor) is then applied to the Assessed Valuation to compute the valuation of property to which a tax rate will be applied (Equalized Assessed Valuation). The County Clerk adds the Equalized Assessed Valuation of all real property in the County to the valuation of property assessed directly by the State and subtracts total amounts of EAV in Tax Increment Financing Districts to arrive at the base amount (Tax Base) used in calculating the annual tax rates.

The County Clerk computes the annual tax rate by dividing the levy by the Tax Base and then computes the rate for each parcel of real property by aggregating the tax rates of all governmental units having jurisdiction over that particular parcel. The County Treasurer then issues the tax bills. Property taxes are deposited with the County Treasurer, who remits to the City its respective share of the collections. Taxes levied in one year become due and payable in two installments during the following year on March 1 and August 1 or 30 days from mailing of tax bills if later than July 1. The first installment is 55.0 percent of the prior year's tax bill. The second installment tax bill equals the total tax liability for the year minus the first installment tax bill amount.

The City Council adopted an ordinance effective in 1994 limiting the City's aggregate property tax levy to an amount equal to the prior year's aggregate property tax levy plus the lesser of (a) five percent or (b) the percentage increase in the annualized Consumer Price Index. The ordinance provides an exception for that portion of any property tax debt service levy equal to the aggregate interest and principal payments on the City's general obligation bonds and notes during the 12-month period ended January 1, 1994, subject to annual increase in the manner described above for the aggregate levy, all as provided by the ordinance. Most general obligation bond levies approved after 2001 have also been excluded from this limit. In 2015 the City Council added an exception for portions of the property tax levy used to meet the City's pension obligations.

On October 28, 2015, the City increased its 2015 property tax levy by $318.2 million to provide for the additional pension fund contributions required under legislation adopted by the Illinois General Assembly in the spring of 2015. The amended levy provided an additional $221.9 million in contributions for the Policemen's Annuity and Benefit Fund and an additional $96.2 million in contributions for the Firemen's Annuity and Benefit Fund.

6) Interfund Balances and Transfers

a) The following balances at December 31, 2015 represent due from/to balances among all funds (dollars in thousands):

Fund Type/Fund	Due From	Due To
Governmental Funds:		
General	$ 154,104	$ 167,001
Federal, State and Local Grants	50,724	261,316
Special Taxing Areas	180,269	10,794
Service Concession and Reserve	-	3,183
Bond, Note Redemption and Interest	32,161	104,247
Community Development and Improvement Projects	100,817	19,321
Nonmajor Governmental Funds	96,033	164,144
Total Governmental Funds	614,108	730,006
Enterprise Funds:		
Water	33,672	22,061
Sewer	26,192	14,132
Chicago Midway International Airport	1,566	7,225
Chicago-O'Hare International Airport	31,532	3,389
Chicago Skyway	-	15
Total Enterprise Funds	92,962	46,822
Fiduciary activities:		
Pension Trust	69,758	
Total Fiduciary activities	69,758	
Total	$ 776,828	$ 776,828

The balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

b) The following balances at December 31, 2015 represent interfund transfers among all funds (dollars in thousands):

Fund Type/Fund	Transfer In	Transfer Out
Governmental Funds:		
General	$ 34,551	$ 12,760
Federal, State and Local Grants	-	10,000
Special Taxing Areas	6,632	46,247
Service Concession and Reserve	-	11,000
Bond, Note Redemption and Interest	7,367	115,911
Community Development and Improvement Projects	38,057	1,096
Nonmajor Governmental Funds	143,002	31,970
Total Governmental Funds	$ 229,609	$ 228,984
Business-type activities:		
Water	-	625
Total Business-type activities	$ -	$ 625
Total	$ 229,609	$ 229,609

Transfers are used to move revenues from the fund that the statute or budget requires to collect them to the fund that the statute or budget requires to expend them and to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

7) **Capital Assets**

a) **Capital Assets** activity for the year ended December 31, 2015 was as follows (dollars in thousands):

	Balance January 1, 2015	Additions and Transfers	Disposals and Transfers	Balance December 31, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,392,833	$ 528	$ -	$ 1,393,361
Works of Art and Historical Collections	45,232	496	(134)	45,594
Construction in Progress	545,529	519,933	(409,479)	655,983
Total capital assets, not being depreciated	1,983,594	520,957	(409,613)	2,094,938
Capital assets, being depreciated:				
Buildings and Other Improvements	2,574,150	46,842	-	2,620,992
Machinery and Equipment	1,439,294	55,726	(14,595)	1,480,425
Infrastructure	8,410,792	386,810	-	8,797,602
Total capital assets, being depreciated	12,424,236	489,378	(14,595)	12,899,019
Less accumulated depreciation for:				
Buildings and Other Improvements	944,084	66,232	-	1,010,316
Machinery and Equipment	1,203,986	59,201	(14,595)	1,248,592
Infrastructure	3,978,586	248,263	-	4,226,849
Total accumulated depreciation	6,126,656	373,696	(14,595)	6,485,757
Total capital assets, being depreciated, net	6,297,580	115,682	-	6,413,262
Total governmental activities	$ 8,281,174	$ 636,639	$ (409,613)	$ 8,508,200
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 1,018,701	$ 2,458	$ -	$ 1,021,159
Construction in Progress	1,256,264	742,567	(1,258,397)	740,434
Total capital assets, not being depreciated	2,274,965	745,025	(1,258,397)	1,761,593
Capital assets, being depreciated:				
Buildings and Other Improvements	16,051,676	1,325,123	334,885	17,711,684
Machinery and Equipment	685,633	5,824	1,406	692,863
Total capital assets, being depreciated	16,737,309	1,330,947	336,291	18,404,547
Less accumulated depreciation for:				
Buildings and Other Improvements	4,824,614	358,723	(8,689)	5,174,648
Machinery and Equipment	365,174	20,699	(1,874)	383,999
Total accumulated depreciation	5,189,788	379,422	(10,563)	5,558,647
Total capital assets, being depreciated, net	11,547,521	951,525	346,854	12,845,900
Total business-type activities	$ 13,822,486	$ 1,696,550	$ (911,543)	$ 14,607,493
Total Capital Assets	$ 22,103,660	$ 2,333,189	$ (1,321,156)	$ 23,115,693

b) **Depreciation expense** was charged to functions/programs of the City as follows (dollars in thousands):

Governmental activities:		
General Government	$	42,410
Public Safety		34,729
Streets and Sanitation		14,882
Transportation		257,044
Health		728
Cultural and Recreational		23,903
Total Depreciation Expense - Governmental activities	$	373,696
Business-type activities:		
Water	$	56,091
Sewer		37,431
Chicago Midway International Airport		47,660
Chicago-O'Hare International Airport		229,625
Chicago Skyway		8,615
Total Depreciation Expense - Business-type activities	$	379,422

8) **Leases**

a) **Operating Leases**

The City leases building and office facilities under noncancelable operating leases. Total costs for such leases were approximately $13.5 million for the year ended December 31, 2015.

The future minimum lease payments for these leases are as follows (dollars in thousands):

2016	$	15,905
2017		5,809
2018		5,583
2019		5,363
2020		4,031
2021 - 2025		10,683
2026 - 2030		593
2031 - 2035		109
2036 - 2040		109
2041 - 2042		44
Total Future Rental Expense	$	48,229

b) **Capital Leases**

During 2005, the City entered into a sale and leaseback agreement with third parties pertaining to the City owned portion of the Orange Line rapid transit rail line with a book value of $430.8 million at December 31, 2005. Under the lease agreement, which provides certain cash and tax benefits to the third party, the City entered into a long-term lease for applicable assets back to the City under a lease.

In June 2015, the City terminated a sale and leaseback agreement with third parties pertaining to a City-owned portion of the Orange Line rapid transit rail line. The lease was terminated and the City regained unrestricted title to the transit line. Under the termination agreement relating to the rapid transit line, the City paid a net amount of $167.9 million to Prudential and a net payment of $52.5 million to Citizens Asset Finance.

c) **Lease Receivables**

Most of the O'Hare land, buildings and terminal space are leased under operating lease agreements to airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2015 (dollars in thousands):

2016	$	97,549
2017		97,555
2018		96,357
2019		95,340
2020		1,597
2021 - 2025		8,302
2026 - 2030		9,592
2031 - 2035		9,564
Total Minimum Future Rental Income	$	415,856

Contingent rentals that may be received under certain leases based on the tenants' revenues or fuel flow are not included in minimum future rental income. Rental income for O'Hare, consisting of all rental and concession revenues except ramp rentals and automobile parking, amounted to $414.2 million, including contingent rentals of $87.0 million.

Most of the Midway land and terminal space is leased under operating lease agreements to airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2015 (dollars in thousands):

2016	$	38,833
2017		38,788
2018		38,566
2019		38,566
2020		38,566
2021 - 2025		192,831
2026 - 2030		192,831
Total Minimum Future Rental Income	$	578,981

Contingent rentals that may be received under certain leases based on tenants' revenues are not included in minimum future rental income. Rental income for Midway, consisting of all rental and concession revenues except aircraft parking fees and certain departure fees (turns) and automobile parking, amounted to $92.3 million, including contingent rentals of $40.0 million.

9) **Short-term Debt**

a) **Matured bonds** represent principal due on coupon bonds in which the coupons have not been presented for payment. As of December 31, 2015, the outstanding balance was at $0.7 million.

10) **Long-term Obligations**

a) **Long-term Debt** activity for the year ended December 31, 2015 was as follows (in thousands):

	Balance January 1, 2015*	Additions	Reductions	Balance December 31, 2015	Amounts Due within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation and other debt	$ 8,335,506	$ 1,327,521	$ 298,629	$ 9,364,398	$ 168,071
Tax increment	74,395	-	9,035	65,360	9,540
Revenue	743,795	28,657	18,400	754,052	18,170
	9,153,696	1,356,178	326,064	10,183,810	195,781
Add unamortized premium/(discount)	154,767	(23,108)	14,460	117,199	-
Add accretion of capital appreciation bonds	298,012	31,506	22,213	307,305	19,949
Total bonds, notes and certificates payable	9,606,475	1,364,576	362,737	10,608,314	215,730
Other liabilities:					
Net Pension liability *	18,345,143	11,352,551	-	29,697,694	-
Other postemployment benefits obligation *	252,944	-	38,409	214,535	-
Lease obligations	116,858	6,052	122,910	-	-
Pollution Remediation	8,532	24,318	-	32,850	-
Claims and judgments	900,616	136,201	186,256	850,561	102,414
Total other liabilities	19,624,093	11,519,122	347,575	30,795,640	102,414
Total governmental activities	$ 29,230,568	$ 12,883,698	$ 710,312	$ 41,403,954	$ 318,144
Business-type activities:					
Revenue bonds and notes payable:					
Water	$ 2,381,771	$ 62,059	$ 52,435	$ 2,391,395	$ 65,758
Sewer	1,638,935	87,080	39,837	1,686,178	46,427
Chicago-O'Hare International Airport	7,527,336	2,023,142	2,083,993	7,466,485	221,220
Chicago Midway International Airport	1,523,590	-	17,265	1,506,325	23,470
	13,071,632	2,172,281	2,193,530	13,050,383	356,875
Add unamortized premium/(discount)	442,259	243,811	57,903	628,167	-
Add accretion of capital appreciation bonds	88,708	8,310	9,571	87,447	9,953
Net Pension liability *	1,745,446	2,403,029	-	4,148,475	
Total business-type activities	$ 15,348,045	$ 4,827,431	$ 2,261,004	$ 17,914,472	$ 366,828
Total long-term obligations	$ 44,578,613	$ 17,711,129	$ 2,971,316	$ 59,318,426	$ 684,972

** Due to the implementation of GASB 68, the beginning balance related to Pension obligation has been restated and classified separately from Other Post-Employment Benefit obligation.*

The Pension obligation liability will be liquidated through a Special Revenue Fund (Pension Fund) as provided by tax levy and other operating revenues.

b) **Issuance of New Debt**

i) **Line of Credit**

During 2015, the City drew $239.1 million from its line of credit to fund certain capital projects, debt refinancing or restructuring, and operating uses. The City has excluded this line of credit amount from current liabilities, as it intends and has the ability to refinance the obligation on a long-term basis.

ii) **General Obligation Bonds**

General Obligation Bonds, Series 2015A ($345.5 million), and Taxable Series 2015B ($742.9 million) were sold at a discount in July 2015. The bonds have interest rates ranging from 5.0 percent to 7.75 percent and maturity dates from January 1, 2019 to January 1, 2042. Net proceeds of $1,064.8 million will be used to repay indebtedness incurred by the City under its Short Term Borrowing Program; fund the cost of terminating the sale/leaseback of the Orange Line rapid transit rail line; reimburse the City's General Fund for the cost of terminating an interest rate swap associated with the City's sales tax revenue bonds ($887.0 million), and to fund capitalized interest ($177.8 million).

iii) **Revenue Loans**

In June 2013, the City entered into a loan agreement with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program to complete the Wacker Drive Reconstruction Project. The loan amount of $98.66 million will fund the Chicago Riverwalk along the main branch of the Chicago River. The interest rate is 3.33 percent and the final maturity of the loan is January 1, 2048. As of December 31, 2015, the total outstanding loan amount is $45.8 million. Total loan disbursements made to the City in 2015 were $28.7 million.

iv) **Enterprise Fund Revenue Bonds and Notes**

In August 2013, the City entered into a loan agreement with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program to fund a portion of Consolidated Rental Car Facility at O'Hare, additions, extensions and improvements to the airport transit system (ATS) including the purchase of new ATS vehicles and certain public parking facilities. The loan amount of $288.1 million is subordinate to the O'Hare Customer Facility Charge Senior Lien Revenue Bonds, Series 2013. The interest rate is 3.86 percent and the final maturity of the loan is January 1, 2052. There were no loan disbursements made to the City as of December 31, 2015.

Chicago O'Hare International Airport General Airport Senior Lien Revenue and Revenue Refunding Bonds, Series 2015A-D ($1,947.4 million) were sold at a premium in October 2015. The bonds have interest rates ranging from 2.0 percent to 5.0 percent and maturity dates from January 1, 2016 to January 1, 2046. The net proceeds of $2,152.9 million will be used to fund certain capital projects ($196.3 million), repay certain outstanding Commercial Paper ($126.8 million), to refund certain General Airport Revenue Bonds maturities of bonds outstanding ($1,807.7 million), to fund debt service reserves ($8.9 million), and to fund capitalized interest ($13.2 million). The current refunding of the bonds decreased the City's total debt service payments by $312.1 million, resulted in a net economic gain of approximately $223.5 million and a book loss of approximately $19.4 million.

A loan agreement was signed on March 3, 2014, with the Illinois Environment Protection Agency to replace approximately 26 miles of damaged, undersized watermains located throughout the City with new 8-inch diameter watermain. In 2015, the Water Fund drew $47.0 million from this loan agreement. The loan has an interest rate of 1.995 percent with the maturity dates from December 17, 2015 to June 17, 2035.

A loan agreement was signed on October 15, 2014, with the Illinois Environment Protection Agency to install water meters at residents throughout the City that are currently unmetered. Private contractors will perform the installation of new meters that will be equipped with AMR (Automatic Meter Reading) capabilities. In 2015, the Water Fund drew $15.0 million from this loan agreement. The loan agreement has an interest rate of 1.995 percent with maturity dates from April 14, 2016 to April 14, 2035.

Second Lien Wastewater Transmission Revenue Bonds, Series 2015 ($87.1 million) were sold at par in October 2015. The bonds have interest rates ranging from 2.591 percent to 6.042 percent and maturity dates from January 1, 2018 to January 1, 2039. The net proceeds of $86.4 million were used to refund the Line of Credit Notes used for the swap termination ($70.2 million), to fund debt service reserves ($10.5 million), and to fund capitalized interest ($5.7 million).

The Chicago O'Hare International Airport issued $75.8 million of Series 2013 Commercial Paper Notes in 2015. The proceeds from the issuance were used to finance portions of the costs of authorized airport projects. The Chicago O'Hare 2015 C&D Senior Lien Revenue Bonds were issued in 2015 to repay the outstanding Commercial Paper Notes.

v) Bond Conversions

In May 2015, the City converted its General Obligation Bonds (Neighborhoods Alive 21 Program), Series 2002B ($176.2 million) from variable rate to fixed rate. The bonds were converted at interest rates ranging from 5.0 percent to 5.5 percent and mandatory sinking fund or maturity dates from January 1, 2016 to January 1, 2037. Proceeds were used to pay a portion of the purchase price of the bonds mandatorily tendered on the conversion date and the costs of conversion. The remaining portion of $24.8 million was redeemed by the City.

In May 2015, the City converted its General Obligation Bonds, Project and Refunding Series 2003B ($170.1 million) from variable rate to fixed rate. The bonds were converted at interest rates ranging from 5.0 percent to 5.5 percent and maturity dates from January 1, 2016 to January 1, 2034. Proceeds were used to pay a portion of the purchase price of the bonds mandatorily tendered on the conversion date and the costs of conversion. The remaining portion of $11.8 million was redeemed by the City.

In June 2015, the City converted its General Obligation Bonds, Project and Refunding Series 2005D ($174.0 million) from variable rate to fixed rate. The bonds were converted at an interest rate of 5.5 percent and mandatory sinking fund or maturity dates from January 1, 2033 to January 1, 2040. Proceeds were used to pay a portion of the purchase price of the bonds mandatorily tendered on the conversion date and the costs of conversion. The remaining portion of $48.8 million was redeemed by the City.

In June 2015, the City converted its General Obligation Bonds, Refunding Series 2007E, F and G ($153.7 million) from variable rate to fixed rate. The bonds were converted at an interest rate of 5.5 percent and mandatory sinking fund or maturity dates from January 1, 2034 to January 1, 2042. Proceeds were used to pay a portion of the purchase price of the bonds mandatorily tendered on the conversion date and the costs of conversion. The remaining portion of $46.3 million was redeemed by the City.

In June 2015, the City converted its Sales Tax Revenue Refunding Bonds, Series 2002 ($111.7 million) from variable rate to fixed rate. The bonds were converted at interest rates ranging from 2.0 percent to 5.0 percent. Proceeds were used to pay the purchase price of the bonds mandatorily tendered on the conversion date and the costs of conversion.

In October 2015, the City converted $332.2 million outstanding of the Series 2008C Second Lien Wastewater Transmission Revenue Bonds to fixed rate at a premium. The bonds have interest rates ranging from 4.0 percent to 5.0 percent and maturity dates ranging from January 1, 2017 to January 1, 2039. The net proceeds of $357.0 million were used to pay the mandatory tender prices of the Series 2008C Bonds ($332.2 million) and to fund a debt service reserve ($24.8 million).

c) **Annual requirements** listed below for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2016 have been excluded because funds for their payment have been provided for. Annual requirements to amortize debt outstanding as of December 31, 2015 are as follows (dollars in thousands):

	General Obligation		Tax Increment	
Year Ending	Principal	Interest	Principal	Interest
December 31,				
2016	$ 248,802	$ 513,801	$ 10,640	$ 1,795
2017	272,292	502,587	11,795	1,566
2018	294,922	490,141	16,010	1,295
2019	306,743	476,199	6,020	960
2020	322,009	463,749	4,135	706
2021-2025	1,598,905	2,114,820	12,060	686
2026-2030	1,777,148	1,737,110	-	-
2031-2035	2,264,423	1,121,593	-	-
2036-2040	1,394,481	500,995	-	-
2041-2045..........	517,520	51,425	-	-
	$8,997,245	$7,972,420	$ 60,660	$ 7,008

	Revenue		Business-type Activities	
Year Ending	Principal	Interest	Principal	Interest
December 31,				
2016	$ 17,880	$ 35,171	$ 356,875	$ 610,644
2017	18,250	34,275	395,964	628,149
2018	19,150	33,385	451,027	608,856
2019	20,335	32,445	464,195	582,617
2020	21,440	31,444	443,435	569,031
2021-2025	125,590	140,362	2,242,979	2,514,736
2026-2030	138,312	131,325	2,641,795	1,947,968
2031-2035	164,656	115,494	3,091,158	1,183,840
2036-2040	210,270	29,785	2,232,350	485,013
2041-2045	-	-	709,480	58,469
2046	-	-	21,125	528
	$ 735,883	$ 583,686	$13,050,383	$ 9,189,851

For the debt requirements calculated above, interest rates for fixed rate bonds debt range from .74 percent to 7.781 percent and interest on variable rate debt was calculated at the rate in effect or the effective rate of a related swap agreement, if applicable, as of December 31, 2015. Standby bond purchase agreements or letters of credit were issued by third party financial institutions that are expected to be financially capable of honoring their agreements.

The City's variable rate bonds may bear interest from time to time at a flexible rate, a daily rate, a weekly rate, an adjustable long rate, or the fixed rate as determined by the remarketing agent, in consultation with the City. An irrevocable letter of credit provides for the timely payment of principal and interest. In the event the bonds are put back to the bank and not successfully remarketed, or if the letter of credit agreements expire without an extension or substitution, the bank bonds will convert to a term loan. There is no principal due on the potential term loans within the next fiscal year.

d) **Derivatives**

i) **Interest Rate Swaps**

(1) *Objective of the swaps.* In order to protect against the potential of rising interest rates and/or changes in cash flows, the City has entered into various separate interest rate swaps at a cost less than what the City would have paid to issue fixed-rate debt. (Dollars in thousands).

	Changes in Fair Value		Fair Value at December 31, 2015		Notional
	Classification	Amount	Classification	Amount	Amount
Business-type Activities					
Hedges:					
Interest Rate Swaps.......................	Deferred Outflow of Resources	76,929	Deferred Outflow of Resources	(123,166)	581,050

(2) *Terms, fair values, and credit risk.* The objective and terms, including the fair values and credit ratings, of the City's hedging derivative instruments outstanding as of December 31, 2015, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. The City's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category. Under the swaps on a net basis for each related series of bonds, the City pays the counterparty a fixed payment and receives a variable payment computed according to the London Interbank Offered Rate (LIBOR) and/or The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index. The terms as of December 31, 2015, are as follows (dollars in thousands):

Associated Bond Issue	Notional Amounts	Effective Date	Terms	Fair Values	Termination Date	Counterparty Credit Rating
Hedging Instruments						
Business-type Activities:						
Chicago Midway International Airport	81,885	12/14/2004	Pay 4.174%; receive SIFMA Plus .05%	$ (18,423)	1/1/2035	A3/A
Revenue Bonds (Series 2004C&D)......	54,590	4/21/2011	Pay 4.247%; receive SIFMA Plus .05%	(12,937)	1/1/2035	Aa1/AA-
	166,745	8/5/2004	Pay 3.8694%; receive 67% of 1 Mo. Libor	(27,127)	11/1/2025	A1/A-
Water Variable Rate Revenue Refunding Bonds (Series 2004)...........	177,830	8/5/2004	Pay 3.8669%; receive 67% of 1 Mo. Libor	(35,932)	11/1/2031	Aa2/AA-
Second Lien Water Revenue Refunding Bonds (Series 2000)............	100,000	4/16/2008	Pay 3.8694%; receive 67% of 1 Mo. Libor	(28,747)	11/1/2030	A1/A
			Total......................................	$ (123,166)		

See Table 31 in Statistical Section for Counterparty Entities and additional details for credit ratings.
See Footnote 18 – Subsequent Events for swap terminations and amendments to agreements effective in 2016.
Type and objective for all the Swaps is the same, as mentioned earlier.

(3) *Fair Value.* As of December 31, 2015, the swaps had a negative fair value of $123.2 million. As per industry convention, the fair values of the City's outstanding swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the forward rates implied by the yield curve correctly anticipate future spot rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Because

interest rates are below the Fixed Rate Paid, the City's swaps had negative values. During 2015, the City terminated the following swaps (dollars in thousands):

Associated Bond Issue:	Termination Amount
Series 2003B General Obligation Variable Rate Demand Bonds	$ 30,951.5
Series 2005D General Obligation Variable Rate Demand Bonds	62,815.5
Series 2007EFG General Obligation Variable Rate Demand Bonds ..	62,007.0
Series 2002 Sales Tax Revenue Refunding Variable Rate Bonds	28,968.0
Series 2008C Second Lien Wastewater Transmission Variable Rate Revenue Refunding Bonds	70,243.0
Series 1999A Near North Tax Increment Financing Bonds	2,240.0

Swap termination payments were recorded as Interest and Other Fiscal Charges.

(4) *Credit Risk.* The City is exposed to credit risk (counterparty risk) through the counterparties with which it enters into agreements. If minimum credit rating requirements are not maintained, the counterparty is required to post collateral to a third party. This protects the City by mitigating the credit risk, and therefore the ability to pay a termination payment, inherent in a swap. Collateral on all swaps is to be in the form of cash or Eligible Collateral held by a third-party custodian. Upon credit events, the swaps also allow transfers, credit support, and termination if the counterparty is unable to meet the said credit requirements.

(5) *Basis Risk.* Basis risk refers to the mismatch between the variable rate payments received on a swap contract and the interest payment actually owed on the bonds. The two significant components driving this risk are credit and SIFMA/LIBOR ratios. Credit may create basis risk because the City's bonds may trade differently than the swap index as a result of a credit change in the City. SIFMA/LIBOR ratios (or spreads) may create basis risk. With percentage of LIBOR swaps, if the City's bonds trade at a higher percentage of LIBOR over the index received on the swap, basis risk is created. This can occur due to many factors including, without limitation, changes in marginal tax rates, tax-exempt status of bonds, and supply and demand for variable rate bonds. The City is exposed to basis risk on all swaps except those that are based on Cost of Funds, which provide cash flows that mirror those of the underlying bonds. For all other swaps, if the rate paid on the bonds is higher than the rate received, the City is liable for the difference. The difference would need to be available on the debt service payment date and it would add additional underlying cost to the transaction.

(6) *Tax Risk.* The swap exposes the City to tax risk or a permanent mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds due to tax law changes such that the federal or state tax exemption of municipal debt is eliminated or its value reduced. There have been no tax law changes since the execution of the City's swap transactions.

(7) *Termination Risk.* The risk that the swap could be terminated as a result of certain events including a ratings downgrade for the issuer or swap counterparty, covenant violation, bankruptcy, payment default or other defined events of default. Termination of a swap may result in a payment made by the issuer or to the issuer depending upon the market at the time of termination.

(8) *Rollover Risk.* The risk that the City may be exposed to rising variable interest rates if (i) the swap expires or terminates prior to the maturity of the bonds and (ii) the City is unable to renew or replace the swap.

(9) *Swap payments and associated debt.* As of December 31, 2015, debt service requirements of the City's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows (dollars in thousands):

Year Ending December 31,	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swaps, Net	Total
2016	$ 15,725	$ 272	$ 22,462	$ 38,459
2017	16,500	264	21,834	38,598
2018	17,200	257	21,178	38,635
2019	25,975	248	20,469	46,692
2020	33,950	235	19,427	53,612
2021 - 2025	224,010	885	73,755	298,650
2026 - 2030	194,550	397	34,310	229,257
2031 - 2035	53,140	41	4,413	57,594
	$ 581,050	$ 2,599	$ 217,848	$ 801,497

e) **Debt Covenants**

i) Water Fund - The ordinances authorizing the issuance of outstanding Water Revenue Bonds provide for the creation of separate accounts into which net revenues, as defined, or proceeds are to be credited, as appropriate. The ordinances require that net revenues available for bonds, as adjusted, equal 120 percent of the current annual debt service on the outstanding senior lien bonds and that City management maintains all covenant reserve account balances at specified amounts. The above requirements were met at December 31, 2015. The Water Rate Stabilization account had a balance in restricted assets of $91.2 million at December 31, 2015.

The ordinances authorizing the issuance of outstanding Second Lien Water Revenue Bonds provide for the creation of separate accounts into which monies will be deposited, as appropriate. The ordinances require that net revenues are equal to the sum of the aggregate annual debt service requirements for the fiscal year of the outstanding senior lien bonds and 110 percent of the aggregate annual debt service requirements of the outstanding second lien bonds. This requirement was met at December 31, 2015.

ii) Sewer Fund - The ordinances authorizing the issuance of outstanding Wastewater Transmission Revenue Bonds provide for the creation of separate accounts into which net revenues, as defined, or proceeds are to be credited, as appropriate. The ordinances require that net revenues available for bonds equal 115 percent of the current annual debt service requirements on the outstanding senior lien bonds. This requirement was met at December 31, 2015. The Sewer Rate Stabilization account had a balance in restricted assets of $32.6 million at December 31, 2015.

The ordinances authorizing the issuance of outstanding Second Lien Wastewater Transmission Revenue Bonds provide for the creation of separate accounts into which monies will be deposited, as appropriate. The ordinances require that net revenues equal 100 percent of the sum of the current maximum annual debt service requirements of the outstanding senior lien bonds and the maximum annual debt service requirements of the second lien bonds. This requirement was met at December 31, 2015.

iii) Chicago Midway International Airport Fund - The Master Indenture of Trust securing Chicago Midway Airport Revenue Bonds requires in each year the City set rates and charges for the use and operation of Midway and for services rendered by the City in the operation of Midway so that revenues, together with any other available monies and the cash balance held in the Revenue Fund on the first day of such fiscal year not then required to be deposited in any fund or account, will be at least sufficient (a) to provide for the Operation and Maintenance Expenses for the fiscal year and (b) to provide for the greater of (i) the amounts needed to be deposited into the First and Junior Lien Debt Service Funds, the Operations & Maintenance Reserve Account, the Working Capital Account, the First Lien Debt Service Reserve Fund, the Repair and Replacement Fund, and the Special Project Fund and (ii) an amount not less than 125 percent of the Aggregate First Lien Debt Service for such Fiscal Year reduced by an amount equal to the sum of any amount held in any Capitalized Interest Account for disbursement during such Fiscal Year to pay interest on First Lien Bonds. These requirements were met at December 31, 2015.

The Master Indenture of Trust Securing Chicago Midway Airport Second Lien Obligations requires that the City set rentals, rates and other charges for the use and operation of Midway and for certain services rendered by the City in the operation of Midway in order that in each Fiscal Year, Revenues, together with Other Available Moneys deposited with the First Lien Trustee or the Second Lien Trustee with respect to such Fiscal Year and any cash balance held in the First Lien Revenue Fund or the Second Lien Revenue Fund on the first day of such Fiscal Year not then required to be deposited in any Fund or Account under the First Lien Indenture for the Second Lien Indenture, will be at least sufficient (1) to provide for the payment of Operation and Maintenance Expenses for the Fiscal Year and (2) to provide for the greater of (A) or (B) as follows: (A) the greater of the amounts needed to make the deposits required under the First Lien Indenture described in the immediately preceding paragraph above; or (B) the greater of the amounts needed to make the deposits required under the First Lien Indenture described in the immediately preceding paragraph above or an amount not less than 110 percent of the Aggregate First Lien Debt Service and Aggregate Second Lien Debt Service for the Bond Year commencing during such Fiscal Year, reduced by (X) any amount held in any Capitalized Interest Account for disbursement during such Bond Year to pay interest on First Lien Bonds, and (Y) any amount held in any capitalized interest account established pursuant to a Supplemental Indenture under the Second Lien Indenture for disbursement during such Bond Year to pay interest on Second Lien Obligations. These requirements were met at December 31, 2015.

iv) **Chicago-O'Hare International Airport Fund** - The Master Indenture of Trust securing Chicago O'Hare International Airport General Airport Senior Lien Obligations requires that Revenues in each Fiscal Year, together with Other Available Moneys deposited with the Trustee with respect to that Fiscal Year and any cash balance held in the Revenue Fund on the first day of that Fiscal Year not then required to be deposited in any Fund or Account, will be at least sufficient: (i) to provide for the payment of Operation and Maintenance Expenses for the Fiscal Year; and (ii) to provide for the greater of (a) the sum of the amounts needed to make the deposits required to be made pursuant to all resolutions, ordinances, indentures and trust agreements pursuant to which all outstanding Senior Lien Bonds Obligations or other outstanding Airport Obligations are issued and secured, and (b) one and ten-hundreths times Aggregate Debt Service for the Bond Year commencing during that Fiscal Year, reduced by any proceeds of Airport Obligations held by the Trustee for disbursement during that Bond Year to pay principal of and interest on Senior Lien Obligations. This requirement was met at December 31, 2015.

The Master Trust Indenture securing Chicago O'Hare International Airport Passenger Facility Charge (PFC) Obligations requires PFC Revenues, as defined, to be deposited into the PFC Revenue Fund. The City covenants to pay from the PFC Revenue Fund not later than the twentieth day of each calendar month the following amounts in the following order of priority: (1) to the Trustee for deposit in the Bond Fund, the sum required to make all of the Sub-Fund Deposits and Other Required Deposits to be disbursed from the Bond Fund [to meet debt service and debt service reserve requirements] in the calendar month pursuant to the Master Indenture; (2) to make any payments required for the calendar month with respect to Subordinated PFC Obligations; and (3) all moneys and securities remaining in the PFC Revenue Fund shall be transferred by the City (or the Trustee if it then holds the PFC Revenue Fund pursuant to the Master Indenture) to the PFC Capital Fund.

The Indenture of Trust Securing Chicago O'Hare International Airport Customer Facility Charge Senior Lien Revenue Bonds requires that, as long as any Bonds remain Outstanding, in each Fiscal Year, the City shall set the amount of the CFC (when multiplied by the total number of projected Contract Days) plus projected Facility Rent at an annual level sufficient to provide sufficient funds (1) to pay principal of and interest on the Bonds due in such Fiscal Year, (2) to reimburse the Rolling Coverage Fund, the

Supplemental Reserve Fund, the Debt Service Reserve Fund and any Subordinate Reserve Fund for any drawings upon such Funds over a period not to exceed twelve months, as determined by the City, (3) to provide funds necessary to pay any "yield reduction payments" or rebate amounts due to the United States under the Indenture for which funds in the Rebate Fund or the CFC Stabilization Fund are not otherwise available, (4) to maintain the balance of the CFC Stabilization Fund in an amount of no less than the CFC Stabilization Fund Minimum Requirement and to reimburse any drawings below the CFC Stabilization Fund Minimum Requirement over a period not to exceed twelve months, as determined by the City, and (5) to maintain the balance of the Operation and Maintenance Fund in an amount of no less than the Operation and Maintenance Fund Requirement and to reimburse any drawings below the Operation and Maintenance Fund Minimum Requirement over a period of not to exceed twelve months, as determined by the City.

f) **No-Commitment Debt and Public Interest Loans** include various special assessment, private activity bonds and loans. These types of financings are used to provide private entities with low-cost capital financing for construction and rehabilitation of facilities deemed to be in the public interest. Bonds payable on no-commitment debt are not included in the accompanying financial statements because the City has no obligation to provide for their repayment, which is the responsibility of the borrowing entities. In addition, federal programs/grants, including Community Development Block Grants and Community Service Block Grants, provide original funding for public interest loans. Loans receivable are not included as assets because payments received on loans are used to fund new loans or other program activities in the current year and are not available for general City operating purposes. Loans provided to third parties are recorded as current and prior year programs/grants expenditures. Funding for future loans will be from a combination of the repayment of existing loans and additional funds committed from future programs/grants expenditures.

g) **Defeased Bonds** have been removed from the Statement of Net Position because related assets have been placed in irrevocable trusts that, together with interest earned thereon, will provide amounts sufficient for payment of all principal and interest. Defeased bonds at December 31, 2015, not including principal payments due January 1, 2016, are as follows (dollars in thousands):

	Amount Defeased	Outstanding
General Obligation Emergency Telephone System - Series 1993	$ 213,730	$ 92,965
Lakefront Millennium Project Parking Facilities Bonds - Series 1998	149,880	43,880
Special Transportation Revenue Bonds - Series 2001	118,715	86,665
Total	$ 482,325	$ 223,510

11) Pension Funds and Other Postemployment Benefits

a) **Pension.**

General Information about the Pension Plan

Plan description - Eligible City employees participate in one of four single-employer defined benefit pension plans (Plans). These Plans are: the Municipal Employees' Annuity and Benefit Fund of Chicago (Municipal Employees'); the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (Laborers'); the Policemen's Annuity and Benefit Fund of Chicago (Policemen's); and the Firemen's Annuity and Benefit Fund of Chicago (Firemen's). Plans are administered by individual retirement boards of trustees comprised of City officials or their designees and of trustees elected by plan members. Certain employees of the Chicago Board of Education participate in Municipal Employees' or Laborers'. Each Plan issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained at www.meabf.org, www.labfchicago.org, www.chipabf.org, and www.fabf.org.

Benefits provided - The Plans provide retirement, disability, and death benefits as established by State law. Benefits generally vest after 10 years of credited service. Employees qualify for an unreduced retirement age minimum formula annuity based on a combination of years of service and age of retirement. Employees may also receive a reduced retirement age minimum formula annuity if they do not meet the age and service requirements for the unreduced retirement age annuity. The requirement of age and service are different for employees who became members before January 1, 2011, and those who became members on or after January 1, 2011. The annuity is computed by multiplying the final average salary by a percentage ranging from 2.2 percent to 2.5 percent per year of credited service. The final average salary is the employee's highest average annual salary for any four consecutive years within the last 10 years of credited service for participants who became members before January 1, 2011 and any eight consecutive years within the last 10 years of credited service for participants who became members on or after January 1, 2011.

Benefit terms provide for annual adjustments to each employee's retirement allowance subsequent to the employees' retirement date. For participants who became members before January 1, 2011, the annual adjustments for Municipal Employees' and Laborers' are 3.0 percent, compounded, and for Firemen's and Policemen's 3.0 percent, simple, for annuitants born before 1955 and 1.5 percent, simple, born in 1955 or later. For participants that first became members on or after January 1, 2011, the annual adjustments are equal to the lesser of 3.0 percent and 50 percent of CPI-U of the original benefit.

Employees covered by benefit terms - At December 31, 2015, the following employees were covered by the benefit terms:

	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
Inactive employees or beneficiaries currently receiving benefits	24,964	3,846	13,210	4,729	46,749
Inactive employees entitled to but not yet receiving benefits	16,268	1,455	637	76	18,436
Active employees	30,683	2,816	12,061	4,735	50,295
	71,915	8,117	25,908	9,540	115,480

Contributions – Historically State law required City contributions at statutorily, not actuarially, determined rates. State law also requires covered employees to contribute a percentage of their salaries. The City's contribution was calculated based on the total amount of contributions by employees to the Plan made in the calendar year two years prior, multiplied by 1.25 for the Municipal Employees', 1.00 for the Laborers', 2.00 for the Policemen's, and 2.26 for the Firemen's. The City's contributions are budgeted in the same year as the applicable levy year for the property taxes funding the contributions. The City's contributions are then paid to the pension funds in the following year (which is when the levied property taxes are collected and paid to the City by the Cook County Treasurer).

State law in effect at December 31, 2015 for the Policemen's and Firemen's Plans, known as Public Act 96-1495 (P.A. 96-1495), requires the City to significantly increase contributions to those Plans beginning in 2015. In each year, the City must contribute the amount needed for each Plan to achieve a 90% Funded Ratio by the end of 2040.

Public Act 99-0506 (P.A. 99-0506) was enacted on May 31, 2016. P.A. 99-0506 changed the funding requirements required by P.A 96-1495, providing that the City make a fixed contribution amount for 2015 through 2019 which is significantly larger than contributions made prior to the adoption of P.A. 96-1495 but smaller than the contributions required under P.A. 96-1495. P.A. 99-0506 requires that the City's contributions are at actuarially determined rates beginning in 2020 and future funding be sufficient to produce a funding level of 90% by the year ended December 31, 2055 (instead of 2040 required by P.A. 96-1495). As this law was enacted subsequent to December 31, 2015, the measurement of the City's net pension liability as of December 31, 2015, was not impacted since the liability was measured using the law in effect as of

December 31, 2015. The City will be taking into consideration the impact of this new law when measuring the liability in 2016. The new law is expected to increase the City's net pension liability.

The City's contributions to Municipal Employees' and Laborers' are determined pursuant to the formulas set forth in the Illinois Pension Code (the Pension Code). Pursuant to Public Act 98-0641 (P.A. 98-0641), the City's contributions to Municipal Employees' and Laborers' were scheduled to increase beginning in 2015; however, in July 2015 the Circuit Court of Cook County (Circuit Court) determined P.A. 98-0641 to be unconstitutional. As a result of such determination by the court, the provisions of the Pension Code governing the City's contributions to Municipal Employees' and Laborers' have reverted to the provisions in effect prior to the enactment of P.A. 98-0641. Furthermore, in March 2016, the Illinois Supreme Court upheld the ruling made by the Circuit Court.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The actuarial reports were provided by each of the pension funds.

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Municipal Employees'	Laborers'	Policemen's	Firemen's
Inflation	3.0%	3.0%	3.0%	2.5%
Salary Increases	4.5% - 8.25% (a)	3.75% (b)	3.75% (c)	3.75% (d)
Investment Rate of Return	7.5% (e)	7.5% (f)	7.5%	7.5%

(a) Varying by years of service
(b) Plus a service - based increase in the first 15 years
(c) Plus additional percentage related to service
(d) Plus additional service based increases
(e) Net of investment expense
(f) Net of investment expense, including inflation

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate for Municipal Employees', Laborers', and Firemen's and RP-2014 for Policemen's.

The mortality actuarial assumptions used in the December 31, 2015 valuation were adjusted based on the results of actuarial experience study for the period:

Municipal Employees' - January 1, 2005 - December 31, 2009
Laborers' - January 1, 2004 - December 31, 2011
Policemen's - January 1, 2009 - December 31, 2013
Firemen's - January 1, 2003 - December 31, 2010

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target Allocation				Long-Term Expected Real Rate of Return			
Asset Class:	Municipal Employees'	Laborers'	Policemen's	Firemen's	Municipal Employees'	Laborers'	Policemen's	Firemen's
Domestic equity	26.0%	22.0%	-	-	4.90%	5.90%	-	-
Domestic large cap equity	-	-	-	24.0%	-	-	-	7.50%
Domestic small cap equity	-	-	-	16.0%	-	-	-	7.85%
U.S. equity	-	-	21.0%	-	-	-	6.10%	-
Non U.S. equity	-	13.0%	20.0%	-	-	7.90%	7.80%	-
Global equity	-	14.0%	-	-	-	6.50%	-	-
International equity	22.0%	-	-	25.0%	5.00%	-	-	7.50%
Domestic Fixed income	-	-	-	21.0%	-	-	-	3.00%
Fixed income	27.0%	16.0%	22.0%	-	0.20%	2.60%	1.70%	-
Hedge funds	10.0%	8.0%	7.0%	-	3.00%	3.80%	4.00%	-
Private equity	5.0%	-	9.0%	3.0%	8.60%	-	8.20%	8.50%
Private markets	-	11.0%	-	-	-	6.90%	-	-
GAA	-	8.0%	12.0%	-	-	4.70%	5.10%	-
Real estate	10.0%	6.0%	5.0%	2.0%	6.00%	4.40%	4.60%	6.15%
Risk Parity	-	2.0%	-	-	-	5.00%	-	-
Alternative investments	-	-	-	2.0%	-	-	-	5.25%
Commodities	-	-	-	3.0%	-	-	-	2.75%
Cash deposits and short-term investments	-	-	-	4.0%	-	-	-	2.25%
Real assets	-	-	4.0%	-	-	-	4.20%	-
Total	100.0%	100.0%	100.0%	100.0%				

Discount rate

Municipal Employees' - The discount rate used to measure the total pension liability was 3.73 percent. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.5 percent and a municipal bond rate of 3.6 percent (based on the Bond Buyer 20- Bond Index of general obligation municipal bonds as of December 31, 2015). The projection of cash flows used to determine the discount rate assumed member contributions will be made at the current contribution rate and that employer contributions will be made at the 1.25 multiple of member contributions from two years prior. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions and contributions from future plan members that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. The projected benefit payments through 2023 were discounted at the expected long-term rate of return. Starting in 2024, the projected benefit payments were discounted at the municipal bond rate. Therefore, a single equivalent blended discount rate of 3.73 percent was calculated using the long-term expected rate of return and the municipal bond index.

Laborers' - A Single Discount Rate of 4.04 percent was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.5 percent and a municipal bond rate of 3.5 percent (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)). The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between statutory contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2027. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2027, and the municipal bond rate was applied to all benefit payments after that date.

Policemen's - A Single Discount Rate of 7.15 percent was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.5 percent and a municipal bond rate of 3.57 percent. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between statutory contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2063. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2063, and the municipal bond rate was applied to all benefit payments after that date.

Firemen's – A Single Discount Rate of 7.16 percent was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.5 percent and a municipal bond rate of 3.57 percent. The projection of cash flows used to determine this Single Discount Rate assumed that member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between statutory contribution rates and the member rate. Based on these assumptions, the Plan's fiduciary net position and future contributions were sufficient to finance future benefit payments only through the year 2061. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date.

Changes in the Net Pension Liability (dollars in thousands)

	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
Total pension liability					
Service cost	$ 226,816	$ 38,389 *	$ 213,585 *	$ 87,203 *	$ 565,993
Interest	909,067	153,812	832,972	338,986	2,234,837
Benefit changes	2,140,009	384,033	-	-	2,524,042
Differences between expected and actual experience	(109,835)	(46,085)	(105,969)	(7,981)	(269,870)
Assumption changes	8,711,755	1,175,935	-	176,282	10,063,972
Benefit payments including refunds	(826,036)	(152,530)	(676,777)	(278,017)	(1,933,360)
Pension plan administrative expense	-	(3,844)	(4,508)	(3,149)	(11,501)
Net change in total pension liability	11,051,776	1,549,710	259,303	313,324	13,174,113
Total pension liability:					
Total pension liability - Beginning	12,307,094	2,162,905	11,773,430	4,512,760	30,756,189
Total pension liability - Ending (a)	$ 23,358,870	$ 3,712,615	$ 12,032,733	$ 4,826,084	$ 43,930,302
Plan fiduciary net position					
Contributions-employer	$ 149,225	$ 12,412	$ 572,836	$ 236,104	$ 970,577
Contributions-employee	131,428	16,844	107,626	46,552	302,450
Net investment income (loss)	114,025	(22,318)	(5,334)	7,596	93,969
Benefit payments including refunds of employee contribution	(826,036)	(152,530)	(676,777)	(278,017)	(1,933,360)
Administrative expenses	(6,701)	(3,844)	(4,508)	(3,149)	(18,202)
Other	-	-	3,092	7	3,099
Net change in plan fiduciary net position	(438,059)	(149,436)	(3,065)	9,093	(581,467)
Plan fiduciary net position - beginning	5,179,486	1,388,093	3,062,014	1,036,008	10,665,601
Plan fiduciary net position - ending (b)	$ 4,741,427	$ 1,238,657	$ 3,058,949	$ 1,045,101	$ 10,084,134
Net pension liability-ending (a)-(b)	$ 18,617,443	$ 2,473,958	$ 8,973,784	$ 3,780,983	$ 33,846,168

* Includes pension plan administrative expense

Changes in benefits and actuarial assumptions: As discussed above, P.A. 98-0641 was determined to be unconstitutional resulting in changes in the discount rate caused by a change in the required funding policy and changes in benefits for the participants of the Municipal Employees' and Laborers' Pension plans, which include restoring full automatic annual increases and changes in the retirement age for certain participants.

The change in the discount rate assumption increased the net pension liability by $8.7 billion for Municipal Employees'and $1.2 billion for Laborers'. This impact is being amortized into expense over a five year period for Municipal Employees' and a four year period for Laborers'. The change in benefits increased the net pension liability by $2.1 billion for Municipal Employees' and $0.4 billion for Laborers'. This impact is recognized as a portion of pension expense for 2015 in its entirety.

Sensitivity of the net pension liability to changes in the discount rate

Municipal Employees' - The following presents the net pension liability as of December 31, 2015, calculated using the discount rate of 3.73 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.73 percent) or 1 percentage point higher (4.73 percent) than the current rate (dollars in thousands):

Net pension liability December 31, 2015	1% Decrease	Current Discount Rate	1% Increase
Municipal Employees' discount rate	2.73%	3.73%	4.73%
Municipal Employees' liability	$ 22,207,242	$ 18,617,443	$ 15,675,669

Laborers' - The following presents the net pension liability as of December 31, 2015, calculated using the discount rate of 4.04 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.04 percent) or 1 percentage point higher (5.04 percent) than the current rate (dollars in thousands):

Net pension liability December 31, 2015	1% Decrease	Current Discount Rate	1% Increase
Laborers' discount rate	3.04%	4.04%	5.04%
Laborers' Employees' liability	$ 3,017,416	$ 2,473,958	$ 2,028,467

Policemen's - The following presents the net pension liability as of December 31, 2015, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15 percent) or 1 percentage point higher (8.15 percent) than the current rate (dollars in thousands):

Net pension liability December 31, 2015	1% Decrease	Current Discount Rate	1% Increase
Policemen's Employees' discount rate	6.15%	7.15%	8.15%
Policemen's Employees' liability	$ 10,402,348	$ 8,973,784	$ 7,771,127

Firemen's - The following presents the net pension liability as of December 31, 2015, calculated using the discount rate of 7.16 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.16 percent) or 1 percentage point higher (8.16 percent) than the current rate (dollars in thousands):

Net pension liability December 31, 2015	1% Decrease	Current Discount Rate	1% Increase
Firemen's Employees' discount rate	6.16%	7.16%	8.16%
Firemen's Employees' liability	$ 4,311,378	$ 3,780,983	$ 3,329,106

Pension plan fiduciary net position Detailed information about the pension plan's fiduciary net position is available in the separately issued Pension Plans reports.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the City recognized pension expense of $6.4 billion. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Municipal Employees' (dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience..........................	$ -	$ 87,868
Changes of assumptions	6,969,404	-
Net difference between projected and actual earnings on pension plan investments	198,509	-
Total	$ 7,167,913	$ 87,868

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

Year ended December 31:	
2016	$ 1,770,011
2017	1,770,011
2018	1,770,011
2019	1,770,012
2020	-
Thereafter	-
Total	$7,080,045

Laborers' (dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 32,705
Changes of assumptions	834,530	-
Net difference between projected and actual earnings on pension plan investments	97,396	-
Total	$ 931,926	$ 32,705

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

Year ended December 31:	
2016	$ 352,374
2017	352,374
2018	170,123
2019	24,350
2020	-
Thereafter	-
Total	$ 899,221

Policemen's (dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 87,780
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	188,055	-
Total	$ 188,055	$ 87,780

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

Year ended December 31:	
2016	$ 28,825
2017	28,825
2018	28,825
2019	28,825
2020	(15,025)
Thereafter	-
Total	$ 100,275

Firemen's (dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 6,648
Changes of assumptions	146,851	-
Net difference between projected and actual earnings on pension plan investments	60,275	-
Total	$ 207,126	$ 6,648

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

Year ended December 31:	
2016	$ 43,168
2017	43,168
2018	43,168
2019	43,168
2020	27,806
Thereafter	-
Total	$ 200,478

Payable to the Pension Plan

At December 31, 2015, the City reported a payable of $802.3 million for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2015.

b) **Other Post Employment Benefits (OPEB) - Pension Funds**

The Pension Funds also contribute a portion of the City's contribution as a subsidy toward the cost for each of their annuitants to participate in the City's health benefits plans, which include basic benefits for eligible annuitants and their dependents and supplemental benefits for Medicare eligible annuitants and their dependents. The amounts below represent the accrued liability of the City's pension plans related to their own annuitants and the subsidy paid to the City (see section c). The plan is financed on a pay-as-you-go basis.

Annual OPEB Cost and Contributions Made
For Fiscal Year Ended December 31, 2015 (dollars in thousands)

	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
Contribution Rates City:	A portion of the City's employer contribution to the Pension Funds is used to finance the health insurance supplement benefit payments.				
Annual Required Contribution	$ 9,174	$ 2,402	$ 9,632	$ 2,611	$ 23,819
Interest on Net OPEB Obligation	2,406	209	391	385	3,391
Adjustment to Annual - Required Contribution	(27,331)	(2,376)	(4,358)	(4,375)	(38,440)
Annual OPEB Cost (Gain)	(15,751)	235	5,665	(1,379)	(11,230)
Contributions Made	8,491	2,154	9,441	2,382	22,468
Decrease in Net OPEB Obligation	(24,242)	(1,919)	(3,776)	(3,761)	(33,698)
Net OPEB Obligation, Beginning of Year	53,486	4,649	8,684	8,563	75,382
Net OPEB Obligation, End of Year	$ 29,244	$ 2,730	$ 4,908	$ 4,802	$ 41,684

Actuarial Method and Assumptions - For the Pension Funds' subsidies, the actuarial valuation for the fiscal year ended December 31, 2015 was determined using the Entry Age Normal actuarial cost method. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations:

	Municipal Employees'	Laborers'	Policemen's	Firemen's
Actuarial Valuation Date	12/31/2015	12/31/2015	12/31/2015	12/31/2015
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar,	Level Dollar,	Level Percent,	Level Dollar,
Remaining Amortization Method	1 year closed	1 year closed	1 year closed	1 year closed
Asset Valuation Method	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)
Actuarial assumptions:				
OPEB Investment Rate of Return (a)	4.5%	4.5%	4.5%	4.5%
Projected Salary Increases (a) .... Inflation	3.0%	3.0%	3.0%	2.5%
Seniority / Merit	(b)	(c)	(d)	(d)
Healthcare Cost Trend Rate (e)	0.0%	0.0%	0.0%	0.0%

(a) Compounded Annually
(b) Service-based increases equivalent to a level annual rate of increase of 1.4 percent over a full career
(c) Service-based increases equivalent to a level annual rate of increase of 1.9 percent over a full career
(d) Service-based increases equivalent to a level annual rate of increase of 1.8 percent over a full career
(e) Trend not applicable - fixed dollar subsidy

OPEB COST SUMMARY
(dollars in thousands)

	Year	Annual OPEB Cost	% of Annual OPEB Obligation	Net OPEB Obligation
Municipal Employees'	2013	$ 13,389	71.01 %	$ 75,637
	2014	(13,100) *	-	53,486
	2015	(15,750) *	-	29,244
Laborers'	2013	3,009	83.67	6,442
	2014	567	416.04	4,649
	2015	235	917.15	2,730
Policemen's	2013	10,536	93.46	12,150
	2014	6,191	155.99	8,684
	2015	5,665	166.65	4,908
Firemen's	2013	4,071	62.66	11,902
	2014	(868)	-	8,563
	2015	(1,379)	-	4,802

* The negative cost is primarily due to the insurance subsidy ending in 2016.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as the results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents, as required, unaudited supplementary information following the notes to the financial statements.

Schedule of Funding Progress ((dollars in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Surplus) UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a) / c)
Municipal Employees'	12/31/2015	$ -	$ 8,147	$ 8,147	-	$ 1,643,481	0.50 %
Laborers'	12/31/2015	-	2,133	2,133	-	204,773	1.04
Policemen's	12/31/2015	-	9,255	9,255	-	1,086,608	0.85
Firemen's	12/31/2015	-	2,399	2,399	-	465,232	0.52

c) **Other Post Employment Benefits - City Obligation**

Up to June 30, 2013, the annuitants who retired prior to July 1, 2005 received a 55 percent subsidy from the City and the annuitants who retired on or after July 1, 2005 received a 50, 45, 40 and zero percent subsidy from the City based on the annuitant's length of actual employment with the City for the gross cost of retiree health care under a court approved settlement agreement, known as the "Settlement Plan." The pension funds contributed their subsidies of $65 per month for each Medicare eligible annuitant and $95 per month for each Non-Medicare eligible annuitant to their gross cost. The annuitants contributed a total of $104.4 million in 2015 to the gross cost of their retiree health care pursuant to premium amounts set forth in the below-referenced settlement agreement.

The City of Chicago subsidized a portion of the cost (based upon service) for hospital and medical coverage for eligible retired employees and their dependents based upon a settlement agreement entered in 2003 and which expired on June 30, 2013.

On May 15, 2013, the City announced plans to, among other things: (i) provide a lifetime healthcare plan to former employees who retired before August 23, 1989 with a contribution from the City of up to 55 percent of the cost of that plan; and (ii) beginning July 1, 2013, provide employees who retired on or after August 23, 1989 with healthcare benefits in a new Retiree Health Plan (Health Plan), but with significant changes to the terms including increases in premiums and deductibles, reduced benefits and the phase-out of the Health Plan for such employees by December 31, 2016.

The cost of health benefits is recognized as an expenditure in the accompanying financial statements as claims are reported and are funded on a pay-as-you-go basis. In 2015, the net expense to the City for providing these benefits to approximately 22,697 annuitants plus their dependents was approximately $44.0 million.

Plan Description Summary – The City of Chicago was party to a written legal settlement agreement outlining the provisions of the Settlement Plans, which ended June 30, 2013. The Health Plan provides for annual modifications to the City's level of subsidy. It is set to phase out over three years, at which the Health Plan, along with any further City subsidy, will expire by December 31, 2016, for all but the group of former employees (the Korshak class of members) who retired before August 23, 1989, who shall have lifetime benefits. Duty Disabled retirees who have statutory pre-63/65 coverage will continue to have fully subsidized coverage under the active health plan until age 65.

The provisions of the Health Plan provide in general, that the City pay a percentage of the cost (based upon an employee's service) for hospital and medical coverage to eligible retired employees and their dependents for the specified period, ending December 31, 2016. The percentage subsidies were revised to reduce by approximately 25 percent of 2013 subsidy levels in 2014, 50 percent of 2013 subsidy levels in 2015, and 75 percent of 2013 subsidy levels in 2016.

In addition, State law authorizes the four respective Pension Funds (Policemen's, Firemen's, Municipal Employees', and Laborers') to provide a fixed monthly dollar subsidy to each annuitant who has elected coverage under any City health plan through December 31, 2016. After that date, no Pension Fund subsidies are authorized. The liabilities for the monthly dollar Pension Fund subsidies contributed on behalf of annuitants enrolled in the medical plan by their respective Pension Funds are included in the NPO actuarial valuation reports of the respective four Pension Funds under GASB 43.

Special Benefits under the Collective Bargaining Agreements (CBA) - Under the terms of the collective bargaining agreements for the Fraternal Order of Police (FOP) and the International Association of Fire Fighters (IAFF), certain employees who retire after attaining age 55 with the required years of service are permitted to enroll themselves and their dependents in the healthcare benefit program offered to actively employed members. They may keep this coverage until they reach the age of Medicare eligibility. These retirees do not contribute towards the cost of coverage, but the Policemen's Fund contributes $95 per month towards coverage for police officers; the Firemen's Fund does not contribute.

Both of these agreements which provide pre-65 coverage originally expired at June 30, 2012. These benefits have been renegotiated to continue through 2016 or June 30, 2017, depending on bargaining unit agreements. This valuation assumes that the CBA special benefits, except for those who will have already retired as of December 31, 2016, will cease on December 31, 2016 or June 30, 2017, depending on bargaining unit agreements.

Funding Policy - No assets are accumulated or dedicated to funding the retiree health plan benefits.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution "ARC" of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period of ten years.

The following table shows the components of the City's annual OPEB costs for the year for the Health Plan and CBA Special Benefits, the amount actually contributed to the plan, and changes in the City's net OPEB obligation. The *Net OPEB Obligation* is the amount entered upon the City's Statement of Net Position as of year end as the net liability for the other post-employment benefits – the Health Plan. The amount of the annual cost that is recorded in the Statement of Changes in Net Position for 2015 is the annual OPEB cost (expense).

Annual OPEB Cost and Contributions Made
(dollars in thousands)

	Retiree Settlement Health Plan	CBA Special Benefits	Total
Contribution Rates:			
City	Pay-As-You-Go	Pay-As-You-Go	Pay-As-You-Go
Plan Members	N/A	N/A	N/A
Annual Required Contribution	$ 46,069	$ 60,654	$ 106,723
Interest on Net OPEB Obligation	867	4,459	5,326
Adjustment to Annual Required Contribution	(3,291)	(16,918)	(20,209)
Annual OPEB Cost	43,645	48,195	91,840
Contributions Made	58,279	38,272	96,551
Decrease in Net OPEB Obligation	(14,634)	9,923	(4,711)
Net OPEB Obligation, Beginning of Year	28,914	148,648	177,562
Net OPEB Obligation, End of Year	$ 14,280	$ 158,571	$ 172,851

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 are as follows (dollars in thousands):

Schedule of Contributions, OPEB Costs and Net Obligations

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Settlement Plan			
12/31/2015	$ 43,645	133.5%	$ 14,280
12/31/2014	62,666	149.9	28,914
12/31/2013	75,444	148.4	60,210
CBA Special Benefits			
12/31/2015	$ 48,195	79.4%	$ 158,571
12/31/2014	49,766	68.5	148,648
12/31/2013	41,722	65.5	132,981
Total			
12/31/2015	$ 91,840	105.1%	$ 172,851
12/31/2014	112,432	113.9	177,562
12/31/2013	117,166	118.9	193,191

Funded Status and Funding Progress - As of January 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $780.6 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,488.0 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 31.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as the results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents, as required, (unaudited) supplementary information following the notes to the financial statements.

Schedule of Funding Progress (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Settlement Plan						
12/31/2014	$ -	$ 311,748	$ 311,748	0%	$ 2,487,787	12.5 %
CBA Special Benefits						
12/31/2014	$ -	$ 468,889	$ 468,889	0%	$ 1,438,428	32.6 %
Total						
12/31/2014	$ -	$ 780,637	$ 780,637	0%	$ 2,487,787	31.4 %

Actuarial Method and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

For the Health Plan benefits (not provided by the Pension Funds), the entry age normal actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent in 2026. The range of rates included a 3.0 percent inflation assumption. Rates included a 2.5 percent inflation assumption. The plan has not accumulated assets and does not hold assets in a segregated trust. However, the funds expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 3.0 percent. The remaining Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over ten years. The benefits include the provisions under the new Health Plan, which will be completely phased-out by December 31, 2016, except for the Korshak category, which is entitled to lifetime benefits. Also included in the Non-CBA benefits are the duty disability benefits under the active health plan payable to age 63/65.

For the Special Benefits under the CBA for Police and Fire, the renewed contracts' expiration dates of June 30, 2016 (for Police Captains, Sergeants and Lieutenants) and June 30, 2017 for all other Police and Fire are reflected, such that liabilities are included only for payments beyond the end of the calendar year of contract expiration on behalf of early retirees already retired and in pay status as of December 31 of the expiration year of the contract. The entry age normal method was selected. The actuarial assumptions included an annual healthcare cost trend rate of 8.0 percent in 2014, reduced by decrements to an ultimate rate of 5.0 percent in 2026. Rates included a 2.5 percent inflation assumption. The plan has not accumulated assets and does not hold assets in a segregated trust. The funds expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 3.0 percent. The remaining Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over ten years.

Summary of Assumptions and Methods

	Settlement Health Plan	CBA Special Benefits
Actuarial Valuation Date	December 31, 2014	December 31, 2014
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar, open	Level Dollar, open
Remaining Amortization Period	10 years	10 years
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return	3.0%	3.0%
Projected Salary Increases	2.5%	2.5%
Healthcare Inflation Rate	8.0% initial to 5.0% in 2026	8.0% initial to 5.0% in 2026

12) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; certain benefits for and injuries to employees, and natural disasters. The City provides worker's compensation benefits and employee health benefits under self-insurance programs except for insurance policies maintained for certain Enterprise Fund activities. The City uses various risk management techniques to finance these risks by retaining, transferring and controlling risks depending on the risk exposure.

Risks for O'Hare, Midway, and certain other major properties, along with various special events, losses from certain criminal acts committed by employees and public official bonds are transferred to commercial insurers. Claims have not exceeded the purchased insurance coverage in the past three years. Accordingly, no liability is reported for these claims. All other risks are retained by the City and are self-insured. The City pays claim settlements and judgments from the self-insured programs. Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The General Fund is primarily used to record all non-Enterprise Fund claims. The estimated portion of non-Enterprise Fund claims not yet settled has been recorded in the Governmental Activities in the Statement of Net Position as claims payable along with amounts related to deferred compensatory time and estimated liabilities for questioned costs. As of December 31, 2015, the total amount of non-Enterprise Fund claims was $490.4 million and Enterprise Fund was $82.0 million. This liability is the City's best estimate based on available information. Changes in the reported liability for all funds are as follows (dollars in thousands):

	2015	2014
Balance, January 1	$ 540,272	$ 547,674
Claims incurred and change in estimates	688,800	627,488
Claims paid on current and prior year events	(656,712)	(634,890)
Balance, December 31	$ 572,360	$ 540,272

13) Expenditure of Funds and Appropriation of Fund Balances

The City expends funds by classification as they become available, and *"Restricted"* funds are expended first. If/when City Council formally sets aside or designates funds for a specific purpose, they are considered "*Committed.*" The Mayor (or his/her designee) may in this capacity, also set aside or designate funds for specific purposes and all of these funds will be considered "*Assigned.*" Any remaining funds, which are not specifically allocated in one or more of the previous three categories, are considered *"Unassigned"* until such allocation is completed.

In addition to the categories above, any amounts which will be used to balance a subsequent year's budget will be considered *"Assigned"* as Budgetary Stabilization funds. The amounts may vary from fiscal year to fiscal year or depending on the City's budgetary condition, or may not be designated at all. The funds may be assigned by the Mayor or his designee, up to the amount of available *"Unassigned"* fund balance at the end of the previous fiscal year.

a) **Fund Balance Classifications**

On the fund financial statements, the Fund Balance consists of the following (dollars in thousands):

	General	Federal, State and Local Grants	Special Taxing Areas	Service Concession and Reserve	Bond, Note Redemption and Interest	Community Development Improvement Projects	Other Governmental Funds
Nonspendable Purpose:							
Inventory	$ 23,828	$ -	$ -	$ -	$ -	$ -	$ -
Restricted Purpose:							
Capital Projects	-	-	1,275,709	-	-	198,431	54,270
Grants	-	17,617	-	-	-	-	-
Debt Service	-	-	-	-	236,294	-	93,314
General Government	-	-	-	-	-	-	3,057
Committed Purpose:							
Budget and Credit Rating Stabilization	-	-	-	621,282	-	-	-
Repair, Maintenance and City Services	-	-	-	-	-	-	56,539
Assigned Purpose:							
Future obligations	24,377	-	-	-	-	-	-
Special Projects	74,000	-	-	-	-	-	-
Unassigned	93,027	(233,759)	-	(1,555,260)	-	-	-
Total Government Fund Balance	$ 215,232	$ (216,142)	$ 1,275,709	$ (933,978)	$ 236,294	$ 198,431	$ 207,180

At the end of the fiscal year, total encumbrances amounted to $24.4 million for the General Operating Fund, $47.6 million for the Special Taxing Areas Fund, $37.9 million for the Capital Projects Fund and $24.3 million for the Non Major Special Revenue Fund.

14) Deferred Outflows and Inflows of Resources

In accordance with Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the City reports deferred outflows of resources in the Statement of Net Position in a separate section following Assets. Similarly, the City reports deferred inflows of resources in the Statement of Net Position in a separate section following Liabilities.

The components of the deferred outflows of resources and deferred inflows of resources are as follows (dollars in thousands):

	FY 2015 Governmental Activities	FY 2015 Business-type Activities
Deferred Outflows of Resources:		
Deferred outflows from pension activities ...	$ 7,039,762	$ 1,455,260
Unamortized deferred bond refunding costs ...	147,937	123,079
Derivatives ...	-	123,166
Total Deferred Outflows of Resources ...	$ 7,187,699	$ 1,701,505
Deferred Inflows of Resources:		
Deferred inflows from pension activities ...	187,878	27,123
Long-Term lease and Service concession arrangements ...	1,555,260	1,626,667
Total Deferred Inflows of Resources ...	$ 1,743,138	$ 1,653,790

The components of the deferred inflows of resources related to the governmental funds at December 31, 2015 are as follows (dollars in thousands):

	Federal, State and Local Grants	Special Taxing Areas	Service Concession and Reserve	Bond, Note Redemption and Interest	Other Governmental Funds	Total Governmental Funds
Governmental Funds:						
Deferred inflow of resources:						
Property Taxes ...	$ -	$ 350,404	$ -	$ 436,939	$ 597,386	$ 1,384,729
Grants ...	239,199	-	-	-	-	239,199
Long-term Lease and Concession Agreements ...	-	-	1,555,260	-	-	1,555,260
Total Governmental Funds ...	$ 239,199	$ 350,404	$ 1,555,260	$ 436,939	$ 597,386	$ 3,179,188

15) Commitments and Contingencies

The City is a defendant in various pending and threatened individual and class action litigation relating principally to claims arising from contracts, personal injury, property damage, police conduct, alleged discrimination, civil rights actions, and other matters. City management believes that the ultimate resolution of these matters will not have a material adverse effect on the financial position of the City.

The City participates in a number of federal- and state-assisted grant programs. These grants are subject to audits by or on behalf of the grantors to assure compliance with grant provisions. Based upon past experience and management's judgment, the City has made provisions in the General Fund for questioned costs and other amounts estimated to be disallowed. City management expects such provision to be adequate to cover actual amounts disallowed, if any.

As of December 31, 2015, the Enterprise Funds have entered into contracts for approximately $516.5 million for construction projects.

The City's pollution remediation obligation of $32.9 million is primarily related to Brownfield redevelopment projects. These projects include removal of underground storage tanks, cleanup of contaminated soil, and removal of other environmental pollution identified at the individual sites. The estimated liability is calculated using the expected cash flow technique. The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

16) **Concession Agreements**

The major fund entitled Service Concession and Reserve Fund is used for the purpose of accounting for the deferred inflows associated with governmental fund long-term lease and concession transactions. Deferred inflows are amortized over the life of the related lease and concession agreements. Proceeds from these transactions may be transferred from this fund in accordance with ordinances approved by the City Council that define the use of proceeds.

In February 2009, the City completed a $1.15 billion concession agreement to allow a private operator to manage and collect revenues from the City's metered parking system for 75 years. The City received an upfront payment of $1.15 billion which was recognized as a deferred inflow that will be amortized and recognized as revenue over the term of the agreement. The City recognizes $15.3 million of revenue for each year through 2083.

In December 2006, the City completed a long-term concession and lease of the City's downtown underground public parking system. The concession granted Chicago Loop Parking, LLC (CLP) the right to operate the garages and collect parking and related revenues for the 99-year term of the agreement. The City received an upfront payment of $563.0 million of which $347.8 million was simultaneously used to purchase three of the underground garages from the Chicago Park District. The City recognized a deferred inflow that will be amortized and recognized as revenue over the term of the lease. The City recognizes $5.7 million of revenue for each year through 2105. In January 2014, CLP assigned all of its interests in the concession and lease agreement to LMG2, LLC, the designee of its lenders, in lieu of foreclosure by the lenders on their leasehold mortgage on the underground garages.

In January 2005, the City completed a long-term concession and lease of the Skyway. The concession granted a private company the right to operate the Skyway and to collect toll revenue from the Skyway for the 99-year term of the agreement. The City received an upfront payment of $1.83 billion; a portion of the payment ($446.3 million) advance refunded all of the outstanding Skyway bonds. The City recognized a deferred inflow of $1.83 billion that will be amortized and recognized as revenue over the 99-year term of the agreement. The City recognizes $18.5 million of revenue related to this transaction for each year through 2103. Skyway land, bridges, other facilities and equipment continue to be reported on the Statement of Net Position and will be depreciated, as applicable, over their useful lives. The deferred inflow of the Skyway is reported in the Proprietary Funds Statement of Net Position.

17) **Restatement Due to Implementation of New Accounting Standards**

During fiscal year 2015, the City implemented GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27*", revised standards of accounting and reporting for pension expenses and liabilities as well as allowed for the deferral of certain pension expense elements. As a result of implementing this statement, net position was restated at January 1, 2015. The City's net pension obligation of $8.6 billion accounted for under GASB Statement No. 27 was eliminated and replaced by a larger net pension liability. The impact of these changes on the beginning balances reported in the financial statements is shown below (in thousands):

	As Originally Reported	GASB 68 Adjustment	As Restated after GASB 68 Impact
Governmental Activities:			
Total Net (Deficit) Position, January 1, 2015	$ (9,043,325)	$ (10,131,849)	$ (19,175,174)
Business-Type Activities:			
Water Fund			
Total Net (Deficit) Position, January 1, 2015	$ 1,683,206	$ (603,457)	$ 1,079,749
Sewer Fund			
Total Net (Deficit) Position, January 1, 2015	734,754	(233,282)	501,472
Chicago Midway International Airport			
Total Net (Deficit) Position, January 1, 2015	(6,698)	(159,615)	(166,313)
Chicago O'Hare International Airport			
Total Net (Deficit) Position, January 1, 2015	1,460,084	(749,092)	710,992
Business-Type Activities (including Skyway):			
Total Net (Deficit) Position, January 1, 2015	$ 2,507,042	$ (1,745,446)	$ 761,596

18) Subsequent Events

Ratings

In January 2016, Standard and Poor's (S&P) upgraded the rating of the Midway Airport Second Lien revenue bonds from A- to A with a stable outlook.

In March 2016, Fitch Ratings (Fitch) downgraded the ratings of the City's General Obligation bonds and Sales Tax revenue bonds from BBB+ to BBB-, with a negative outlook.

In April 2016, Kroll Bond Rating Agency, Inc. (Kroll) downgraded the ratings of the City's General Obligation bonds from A- to BBB+ with a negative outlook.

In April 2016, S&P upgraded the City's Water Senior Lien revenue bonds from A to A+ and the Water Second Lien revenue bonds from A- to A, each with a stable outlook.

In May 2016, Fitch upgraded the rating of the Midway Airport Second Lien revenue bonds from A- to A with a stable outlook.

In May 2016, Fitch upgraded the rating of the O'Hare Airport Senior Lien revenue bonds from A- to A with a stable outlook.

In May 2016, Kroll rated the Midway Airport Second Lien revenue bonds A with a stable outlook.

In June 2016, S&P downgraded the rating of the Motor Fuel Tax revenue bonds from BBB+ to BBB with a negative outlook.

Bonds

In January 2016, the City redeemed $22.3 million of Chicago Senior Lien Tax Increment Allocation Bonds (Near North Redevelopment Project) Series, 1999A and the associated letter of credit was terminated.

In January 2016, the City sold General Obligation Refunding Bonds, Series 2015C ($500.0 million). The bonds were issued at an interest rate of 5.0 percent and mandatory sinking fund or maturity dates ranging from January 1, 2020 to January 1, 2038. Proceeds will be used to refund or pay interest on all or a portion of certain outstanding General Obligation bonds, fund capitalized interest, and pay costs of issuance.

In May 2016, the City converted its Second Lien Water Revenue Bonds, Series 2000 ($100.0 million) and Second Lien Water Revenue Refunding Bonds, Series 2004 ($344.6 million) from variable rate to fixed rate. The bonds were converted at interest rates ranging from 2.0 percent to 5.0 percent and maturity dates from November 1, 2017 to January 1, 2030. Proceeds will be used to pay the purchase price of the bonds mandatorily tendered on the conversion date, costs of capital improvements to the Water System, and the costs of conversion. In addition, concurrently with the conversion of the Series 2000 and Series 2004 bonds, the City sold Second Lien Water Revenue Bonds, Series 2016A-1 (Tax Exempt) and Series 2016A-2 (Taxable) ($81.7 million). The Series 2016A-1 and A-2 bonds were issued at interest rates ranging from 1.68 percent to 5.0 percent and maturity dates from November 1, 2016 to November 1, 2031. Proceeds will be used to repay the outstanding water line of credit and to pay costs of issuance.

In June 2016, the City sold Midway Airport Second Lien Revenue and Revenue Refunding Bonds, Series 2016A (AMT) and 2016B (Non-AMT) ($342.4 million). The Series 2016A and 2016B bonds were issued at interest rates ranging from 2.0 percent to 5.0 percent and mandatory sinking fund or maturity dates from January 1, 2017 to January 1, 2046. Proceeds of the Series 2016A and 2016B Bonds will be used to pay the costs of various capital projects of the Airport, refund certain outstanding Midway Airport Second Lien revenue bonds, fund capitalized interest, fund debt service reserve deposits, and pay costs of issuance.

Swaps

In May 2016, the City terminated the swaps relating to its (1) Second Lien Water Revenue Bonds, Series 2000 for a termination payment of $32.3 million and (2) Second Lien Water Revenue Refunding Bonds, Series 2004 for total termination payments of $69.5 million.

Commercial Paper and Lines of Credit

As of December 31, 2015, the outstanding balance for the City's General Obligation Commercial Paper Notes and General Obligation Lines of Credit (G.O. CP) was $239.1 million. Since January 1, 2016, the City has issued $220.0 million of G.O. CP to fund pension requirements and has paid down $315.6 million, including the portion issued in 2016 to fund the pension requirement. The current G.O. CP outstanding is approximately $143.5 million.

In January 2016, the City increased the General Obligation Line of Credit Agreement to $900.0 million from $750.0 million. The City's repayment obligation under the line of credit is a general obligation of the City. The line of credit expires September 24, 2017.

In May 2016, the City drew $91.5 million under the water line of credit to fund the swap termination payments prior to the issuance of Second Lien Water Revenue Bonds, Series 2016A-1 (Tax Exempt) and Series 2016A-2 (Taxable). Proceeds from the bonds were used to repay the water line of credit.

Concession Agreements

In February 2016, the owners of the Skyway concessionaire sold their ownership interests in the concessionaire to a new entity. Pursuant to the concession and lease agreement for the Skyway, the City approved the transfer of ownership interests.

In May 2016, the concessionaire of the City's downtown underground public parking garages sold its concession interest in the garages to Millennium Parking Garages, LLC. Pursuant to the concession and lease agreement for the garages, the City approved the transfer of the concession interest.

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF CHICAGO, ILLINOIS
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last Fiscal Year (dollars are in thousands)

Municipal Employees':		2015
Total pension liability		
Service cost	$	226,816
Interest		909,067
Benefit changes		2,140,009
Differences between expected and actual experience		(109,835)
Assumption changes		8,711,755
Benefit payments including refunds		(826,036)
Pension plan administrative expense		-
Net change in total pension liability	$	11,051,776
Total pension liability - beginning		12,307,094
Total pension liability - ending (a)	$	23,358,870
Plan fiduciary net position		
Contributions-employer	$	149,225
Contributions-employee		131,428
Net investment income		114,025
Benefit payments including refunds of employee contribution		(826,036)
Administrative expenses		(6,701)
Other		-
Net change in plan fiduciary net position	$	(438,059)
Plan fiduciary net position - beginning		5,179,486
Plan fiduciary net position - ending (b)	$	4,741,427
Net pension liability - ending (a)-(b)	$	18,617,443
Plan fiduciary net position as a percentage of the total pension liability		20.30 %
Covered-employee payroll*	$	1,643,481
Employer's net pension liability as a percentage of covered-employee payroll		1,132.81 %

*Covered payroll is the amount in force as of the valuation date and likely differs from actual payroll paid during fiscal year.

Note:
Beginning with fiscal year 2015, the City will accumulate ten years of data.

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF CHICAGO, ILLINOIS
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - Continued
Last Fiscal Year (dollars are in thousands)

Laborers':		2015
Total pension liability		
Service cost	$	38,389 *
Interest		153,812
Benefit changes		384,033
Differences between expected and actual experience		(46,085)
Assumption changes		1,175,935
Benefit payments including refunds		(152,530)
Pension plan administrative expense		(3,844)
Net change in total pension liability	$	1,549,710
Total pension liability - beginning		2,162,905
Total pension liability - ending (a)	$	3,712,615
Plan fiduciary net position		
Contributions-employer	$	12,412
Contributions-employee		16,844
Net investment income		(22,318)
Benefit payments including refunds of employee contribution		(152,530)
Administrative expenses		(3,844)
Other		-
Net change in plan fiduciary net position	$	(149,436)
Plan fiduciary net position - beginning		1,388,093
Plan fiduciary net position - ending (b)	$	1,238,657
Net pension liability - ending (a)-(b)	$	2,473,958

* Includes pension plan administrative expense

Plan fiduciary net position as a percentage of the total pension liability		33.36 %
Covered-employee payroll **	$	204,773
Employer's net pension liability as a percentage of covered-employee payroll		1,208.15 %

** Covered payroll is the amount in force as of the valuation date and likely differs from actual payroll paid during fiscal year.

Note:

Beginning with fiscal year 2015, the City will accumulate ten years of data.

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF CHICAGO, ILLINOIS
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - Continued
Last Fiscal Year (dollars are in thousands)

Policemen's:		2015
Total pension liability		
Service cost	$	213,585 *
Interest		832,972
Benefit changes		-
Differences between expected and actual experience		(105,969)
Assumption changes		-
Benefit payments including refunds		(676,777)
Pension plan administrative expense		(4,508)
Net change in total pension liability	$	259,303
Total pension liability - beginning		11,773,430
Total pension liability - ending (a)	$	12,032,733
Plan fiduciary net position		
Contributions-employer	$	572,836
Contributions-employee		107,626
Net investment income		(5,334)
Benefit payments including refunds of employee contribution		(676,777)
Administrative expenses		(4,508)
Other		3,092
Net change in plan fiduciary net position	$	(3,065)
Plan fiduciary net position - beginning		3,062,014
Plan fiduciary net position - ending (b)	$	3,058,949
Net pension liability - ending (a)-(b)	$	8,973,784

* Includes pension plan administrative expense

Plan fiduciary net position as a percentage of the total pension liability		25.42 %
Covered-employee payroll**	$	1,086,608
Employer's net pension liability as a percentage of covered-employee payroll		825.85 %

** Covered payroll is the amount in force as of the valuation date and likely differs from actual payroll paid during fiscal year.

Note:

Beginning with fiscal year 2015, the City will accumulate ten years of data.

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF CHICAGO, ILLINOIS
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - Concluded
Last Fiscal Year (dollars are in thousands)

Firemen's:		2015
Total pension liability		
Service cost	$	87,203 *
Interest		338,986
Benefit changes		-
Differences between expected and actual experience		(7,981)
Assumption changes		176,282
Benefit payments including refunds		(278,017)
Pension plan administrative expense		(3,149)
Net change in total pension liability	$	313,324
Total pension liability - beginning		4,512,760
Total pension liability - ending (a)	$	4,826,084
Plan fiduciary net position		
Contributions-employer	$	236,104
Contributions-employee		46,552
Net investment income		7,596
Benefit payments including refunds of employee contribution		(278,017)
Administrative expenses		(3,149)
Other		7
Net change in plan fiduciary net position	$	9,093
Plan fiduciary net position - beginning		1,036,008
Plan fiduciary net position - ending (b)	$	1,045,101
Net pension liability - ending (a)-(b)	$	3,780,983

* Includes pension plan administrative expense

Plan fiduciary net position as a percentage of the total pension liability		21.66 %
Covered-employee payroll **	$	465,232
Employer's net pension liability as a percentage of covered-employee payroll		812.71 %

** Covered payroll is the amount in force as of the valuation date and likely differs from actual payroll paid during fiscal year.

Note:

Beginning with fiscal year 2015, the City will accumulate ten years of data.

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF CHICAGO, ILLINOIS
SCHEDULE OF CONTRIBUTIONS
Last Ten Years (dollars are in thousands)

Municipal Employees':

Years Ended December 31,	Actuarially Determined Contributions*	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Employee Payroll**	Contributions as a percentage of Covered Employee Payroll
2006	$ 325,914	$ 157,063	$ 168,851	$ 1,475,877	10.64 %
2007	343,123	139,606	203,517	1,564,459	8.92 %
2008	360,387	146,803	213,584	1,543,977	9.51 %
2009	413,509	148,047	265,462	1,551,973	9.54 %
2010	483,948	154,752	329,196	1,541,388	10.04 %
2011	611,756	147,009	464,747	1,605,993	9.15 %
2012	690,823	148,859	541,964	1,590,794	9.36 %
2013	820,023	148,197	671,826	1,580,289	9.38 %
2014	839,039	149,747	689,292	1,602,978	9.34 %
2015	677,200	149,225	527,975	1,643,481	9.08 %

* The funding method mandated by the Illinois Pension Code is insufficient to avoid insolvency, and without a change, the Fund is projected to become insolvent within the next 10 years (during 2025). Therefore, the actuarially determined contribution is comprised of an employer normal cost payment and a 30-year, level dollar amortization payment on the unfunded actuarial accrued liability.

** Covered payroll is the amount in force as of the valuation date and likely differs from actual payroll paid during fiscal year.

Laborers':

Years Ended December 31,	Actuarially Determined Contributions *	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Employee Payroll **	Contributions as a percentage of Covered Employee Payroll
2006	$ 21,142	$ 106	$ 21,036	$ 193,176	0.06 %
2007	21,726	13,256	8,470	192,847	6.87 %
2008	17,652	15,233	2,419	216,744	7.03 %
2009	33,518	14,627	18,891	208,626	7.01 %
2010	46,665	15,352	31,313	199,863	7.68 %
2011	57,259	12,779	44,480	195,238	6.55 %
2012	77,566	11,853	65,713	198,790	5.96 %
2013	106,199	11,583	94,616	200,352	5.78 %
2014	106,019	12,161	93,858	202,673	6.00 %
2015	79,851	12,412	67,439	204,773	6.06 %

* The LABF Statutory Funding does not conform to Actuarial Standards of Practice, therefore, the actuarially determined contribution is equal to the normal cost plus an amount to amortize the unfunded liability using dollar payments and a 30 year open amortization period.

** Covered payroll is the amount in force as of the valuation date and likely differs from actual payroll paid during fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF CHICAGO, ILLINOIS
SCHEDULE OF CONTRIBUTIONS - Continued
Last Ten Years (dollars are in thousands)

Policemen's:

Years Ended December 31,	Actuarially Determined Contributions *	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Employee Payroll **	Contributions as a percentage of Covered Employee Payroll
2006	$ 262,657	$ 150,718	$ 111,939	$ 1,012,984	14.88 %
2007	312,726	170,598	142,128	1,038,957	16.42 %
2008	318,235	172,836	145,399	1,023,581	16.89 %
2009	339,488	172,044	167,444	1,011,205	17.01 %
2010	363,625	174,501	189,124	1,048,084	16.65 %
2011	402,752	174,035	228,717	1,034,404	16.82 %
2012	431,010	197,885	233,125	1,015,171	19.49 %
2013	474,177	179,521	294,656	1,015,426	17.68 %
2014	491,651	178,158	313,493	1,074,333	16.58 %
2015	785,501	575,928	209,573	1,086,608	53.00 %

* The PABF Statutory Funding does not confrom to Actuarial Standards of Practice; therefore, the 2015 actuarially determined contribution is equal to the normal cost plus a 30-year closed level dollar amortization of the unfunded actuarial liability. Prior to 2015 the actuarially determined contribution was equal to the "ARC" which was equal to normal cost plus a 30-year open level percent amortization of the unfunded actuarial liability.

** Covered payroll is the amount in force as of the valuation date and likely differs from actual payroll paid during fiscal year.

Firemen's:

Years Ended December 31,	Actuarially Determined Contributions *	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Employee Payroll **	Contributions as a percentage of Covered Employee Payroll
2006	$ 160,246	$ 76,763	$ 83,483	$ 387,442	19.81 %
2007	188,202	72,023	116,179	389,125	18.51 %
2008	189,941	81,258	108,683	396,182	20.51 %
2009	203,867	89,212	114,655	400,912	22.25 %
2010	218,388	80,947	137,441	400,404	20.22 %
2011	250,056	82,870	167,186	425,385	19.48 %
2012	271,506	81,522	189,984	418,965	19.46 %
2013	294,878	103,669	191,209	416,492	24.89 %
2014	304,265	107,334	196,931	460,190	23.32 %
2015	323,545	236,104	87,441	465,232	50.75 %

* The FABF Statutory Funding does not conform to Actuarial Standards of Practice, therefore, the actuarially determined contribution is equal to the normal cost plus an amount to amortize the unfunded liability using dollar payments and a 30 year open amortization period.

** Covered payroll is the amount in force as of the valuation date and likely differs from actual payroll paid during fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF CHICAGO, ILLINOIS
SCHEDULE OF CONTRIBUTIONS - Concluded

Actuarial Methods and Assumptions:	Municipal Employees'		Laborers'		Policemen's		Firemen's	
Actuarial valuation date	12/31/2015	(a)	12/31/2015	(b)	12/31/2015		12/31/2015	
Actuarial cost method	Entry age normal		Entry age normal		Entry age normal		Entry age normal	
Amortization method	Level dollar, open		Level dollar, open	(c)	Level percent, open		Level dollar, open	
Remaining amortization period	30 years		30 years		30 years		30 years	
Asset valuation method	5-yr. Smoothed Market		5-yr. Smoothed Market		5-yr. Smoothed Market		5-yr. Smoothed Market	
Actuarial assumptions:								
Inflation	3.0%		3.0%		3.0%		2.5%	
Salary increases	4.5% - 8.25%	(d)	3.75%	(e)	3.75%	(f)	3.75%	(f)
Investment rate of return	7.5%	(g)	7.5%	(h)	7.5%		7.5%	
Retirement Age	(i)		(j)		(k)		(l)	
Mortality	(m)		(n)		(o)		(p)	
Other information	(q)		(r)		(s)		(s)	

(a) Actuarially determined contribution amount is determined as of December 31, with appropriate interest to the middle of the year.
(b) Actuarially determined contribution rates are calculated as of December 31, which is 12 months prior to the end of the fiscal year in which contributions are reported.
(c) The statutory contributions are based on a multiple of member contributions from the second prior year. The statutory contribution multiple is 1.00
(d) Varying by years of service.
(e) Plus a service-based increase in the first 15 years.
(f) Salary increase rates based on age-related productivity and merit rates plus inflation.
(g) Net of investment expense.
(h) Net of investment expense, including inflation.
(i) For employees first hired prior to January 1, 2011, rates of retirement are based on the recent experience of the Fund (adopted December 31, 2010): For employees first hired on or after January 1, 2011, rates of retirement for each age from 62 to 80 were used (adopted Decemebr 31, 2011).
(j) Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2012, valuation pursuant to an experience study of the period January 1, 2004, through December 31, 2011.
(k) Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2014, actuarial valuation pursuant to an experience study of the period January 1, 2009, through December 31, 2013.
(l) Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2011, valuation pursuant to an experience study of the period January 1, 2003, through December 31, 2010.
(m) Post-retirement mortality rates were based on the RP-2000 Healthy Mortality Tables with mortality improvements projected to 2010 using Scale AA. Pre-retirement mortality rates were based on the post-retirement mortality assumption, multiplied by 85% for males and 70% for females.
(n) RP2000 Combined Healthy mortality table, sex distinct, set forward one year for males and setback two years for females. No adjustment is made for post-disabled mortality.
(o) Post-Retirement Healthy mortality rates: Sex distinct Retirement Plans 2014 Healthy Annuitant mortality table weighted 108% for males and 97% for females. Pre-Retirement mortality rates: Sex distinct Retirement Plans 2014 Total Employee mortality table weighted 85% for males and 115% for females. Disabled Mortality: Sex distinct Retirement Plans 2014 Healthy Annuitant mortality table weighted 115% for males and 115% for females.
(p) RP2000 Combined Healthy mortality table, sex distinct for post retirement mortality. RP2000 Combined Healthy mortality table, sex distinct, set forward six years for post retirement mortality post-disabled mortality. Pre-retirement mortality is 80 percent of the post-retirement rates.
(q) Other assumptions: Same as those used in the December 31, 2015, actuarial funding valuations.
(r) Notes: Benefit changes based on the provisions in effect prior to Public Act 98-0641 were recognized in the Total Pension Liability as of December 31, 2015.
(s) The valuation is based on the statutes in effect as of Decemebr 31, 2015, and does not consider the impact of PA 99-0506 which was passed on May 31, 2016.

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF CHICAGO, ILLINOIS
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS FUNDING PROGRESS
Last Three Years (dollars are in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a) / c)
Municipal Employees'							
2013	12/31/2013	$ -	27,573	27,573	- %	1,580,289	1.74 %
2014	12/31/2014	-	17,495	17,495	-	1,602,978	1.09
2015	12/31/2015	-	8,147	8,147	-	1,643,481	0.50
Laborers'							
2013	12/31/2013	-	7,074	7,074	- %	200,352	3.53 %
2014	12/31/2014	-	4,593	4,593	-	202,673	2.27
2015	12/31/2015	-	2,133	2,133	-	204,773	1.04
Policemen's							
2013	12/31/2013	-	28,376	28,376	- %	1,015,426	2.79 %
2014	12/31/2014	-	18,762	18,762	-	1,074,333	1.75
2015	12/31/2015	-	9,255	9,255	-	1,086,608	0.85
Firemen's							
2013	12/31/2013	-	7,692	7,692	- %	416,492	1.85 %
2014	12/31/2014	-	4,995	4,995	-	460,190	1.09
2015	12/31/2015	-	2,399	2,399	-	465,232	0.52
City of Chicago							
2013	12/31/2012	-	997,281	997,281	- %	2,385,198	41.81 %
2014	12/31/2013	-	964,626	964,626	-	2,425,000	39.78
2015	12/31/2014	-	780,637	780,637	-	2,487,787	31.38

APPENDIX D

PROPERTY TAXES

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PROPERTY TAXES

Real Property Assessment, Tax Levy and Collection Procedures

General

Information under this caption provides a general summary of the current procedures for real property assessment, tax levy and tax collection in Cook County (the "*County*"). The following is not an exhaustive discussion, nor can there be any assurance that the procedures described under this caption will not be changed either retroactively or prospectively. The Illinois laws relating to real property taxation are contained in the Illinois Property Tax Code (the "*Property Tax Code*").

Substantially all (approximately 99.99 percent) of the "Equalized Assessed Valuation" (described below) of taxable property in the City is located in the County. The remainder is located in DuPage County. Accordingly, unless otherwise indicated, the information set forth under this caption and elsewhere in this Official Statement with respect to taxable property in the City does not reflect the portion situated in DuPage County.

Assessment

The Cook County Assessor (the "*Assessor*") is responsible for the assessment of all taxable real property within the County, except for certain railroad property and pollution control equipment assessed directly by the State. One-third of the real property in the County is reassessed each year on a repeating triennial schedule established by the Assessor. The suburbs in the northern and northwestern portions of the County were reassessed in 2013. The suburbs in the western and southern portions of the County were reassessed in 2014. The City was reassessed in 2015.

Real property in the County is separated into various classifications for assessment purposes. After the Assessor establishes the fair cash value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (the "*Assessed Valuation*") for the parcel. Beginning with the 2009 tax year, the classification percentages range from 10 to 25 percent depending on the type of property (e.g., residential, industrial, commercial) and whether it qualifies for certain incentives for reduced rates. For prior years, the classification percentages ranged from 16 to 38 percent.

The Cook County Board of Commissioners has adopted various amendments to the County's Real Property Assessment Classification Ordinance (the "*Classification Ordinance*"), pursuant to which the Assessed Valuation of real property is established. Among other things, these amendments have reduced certain property classification percentages, lengthened certain renewal periods of classifications and created new property classifications.

The Assessor has established procedures enabling taxpayers to contest the Assessor's tentative Assessed Valuations. Once the Assessor certifies final Assessed Valuations, a taxpayer can seek review of its assessment by the Cook County Board of Review (the "*Board of Review*"). The Board of Review has powers to review and adjust Assessed Valuations set by the Assessor. Owners of property are able to appeal decisions of the Board of Review to the Illinois Property Tax Appeal Board (the "*PTAB*"), a state-wide administrative body, or to the Circuit Court of Cook County (the "*Circuit Court*"). The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Based on the amount of the proposed change in assessed valuation, taxpayers may appeal decisions of the PTAB to either the Circuit Court or the Illinois Appellate Court under the Illinois Administrative Review Law.

Exhibit A

The Underwriters

Goldman, Sachs & Co.
71 South Wacker Drive
Chicago, Illinois 60606

Mesirow Financial, Inc.
353 North Clark Street
Chicago, Illinois 60654

Estrada Hinojosa & Company, Inc.
161 North Clark Street
Chicago, Illinois 60601

Fifth Third Securities, Inc.
222 South Riverside Plaza
Chicago, Illinois 60606

Harvestons Securities, Inc.
8301 East Prentice Avenue
Greenwood Village, Colorado 80111

IFS Securities, Inc.
233 South Wacker Drive
Chicago, Illinois 60606

Melvin & Company, LLC
455 Cityfront Plaza Drive
Chicago, Illinois 60611

North South Capital LLC
200 West Adams Street
Chicago, Illinois 60606

Siebert Cisneros Shank & Co., L.L.C.
111 East Wacker Drive
Chicago, Illinois 60601

William Blair & Company
222 East Adams Street
Chicago, Illinois 60606

APPENDIX F

REFUNDED AND INTEREST PAID BONDS

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REFUNDED BONDS

Series	Maturity Date	Interest Rate (%)	Par Amount	Redemption Date	Redemption Price (%)
1995A2	01/01/18	5.500	$18,190,000	At Maturity	N/A
2001A	01/01/18	5.440	6,865,000	03/03/17	100.000
2001A	01/01/19	5.500	7,245,000	03/03/17	100.000
2001A	01/01/20	5.530	7,640,000	03/03/17	100.000
2001A	01/01/21	5.560	8,060,000	03/03/17	100.000
2001A	01/01/22	5.580	8,510,000	03/03/17	100.000
2005A	01/01/18	4.000	1,715,000	03/03/17	100.000
2005A	01/01/18	5.000	24,030,000	03/03/17	100.000
2005A	01/01/19	5.000	15,245,000	03/03/17	100.000
2005B	01/01/18	5.000	21,625,000	03/03/17	100.000
2005B	01/01/19	5.000	13,090,000	03/03/17	100.000
2005B	01/01/20	5.000	9,415,000	03/03/17	100.000
2005-3C	01/01/18	4.250	250,000	03/03/17	100.000
2005-3B	01/01/18	4.250	1,045,000	03/03/17	100.000
2006-1C	01/01/18	4.000	3,725,000	03/03/17	100.000
2006-1B	01/01/18	4.000	1,040,000	03/03/17	100.000
2006A	01/01/18	4.250	2,150,000	03/03/17	100.000
2006A	01/01/18	5.000	12,345,000	03/03/17	100.000
2006A	01/01/19	5.000	26,645,000	03/03/17	100.000
2007A	01/01/18	4.250	1,465,000	03/03/17	100.000
2007A	01/01/18	5.000	7,655,000	03/03/17	100.000
2007A	01/01/18	4.000	1,750,000	03/03/17	100.000
2007A	01/01/19	4.000	670,000	03/03/17	100.000
2007A	01/01/19	5.000	10,925,000	03/03/17	100.000
2007A	01/01/20	5.000	16,290,000	03/03/17	100.000
2007C	01/01/18	4.000	5,190,000	At Maturity	N/A
2007C	01/01/18	5.000	12,335,000	At Maturity	N/A
2007D	01/01/18	5.240	1,380,000	At Maturity	N/A
2008A	01/01/18	5.000	8,305,000	At Maturity	N/A
2008A	01/01/19	5.000	12,905,000	01/01/18	100.000
2008B	01/01/18	5.380	4,320,000	At Maturity	N/A
2014A	01/01/18	4.000	1,475,000	At Maturity	N/A

INTEREST PAID BONDS

Proceeds of the Series 2017A Bonds are funding a portion of the interest due through and including the January 1, 2020 interest payment on the following maturities. The principal amounts related to the refunded interest amounts shown below are not being refunded:

Outstanding Bond Series	Interest Payment Dates Beginning	Interest Payment Dates Ending	Interest Amount Refunded
2002B-NA21	07/01/17	01/01/19	$ 7,613,438
2003B	07/01/17	01/01/19	6,346,762
2005D	07/01/17	01/01/19	8,492,550
2007E	07/01/17	01/01/19	3,750,450
2007F	07/01/17	01/01/19	2,999,150
2007G	07/01/17	01/01/19	746,350
2008C	07/01/17	07/01/18	19,506,555
2009C	07/01/17	01/01/20	18,308,167
2009D	07/01/17	01/01/20	24,999,218
2010B	07/01/17	01/01/20	48,158,788
2011A	07/01/17	01/01/20	31,854,300
2012A	07/01/17	01/01/20	16,569,750
2012C	07/01/17	01/01/20	9,558,750
2014A	07/01/17	01/01/20	58,490,925
2015A	07/01/18	01/01/19	8,521,838

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CITY OF CHICAGO

INCORPORATED 4th MARCH 1837

URBS IN HORTO

EXHIBIT 3

TRUST INDENTURE

Execution Version

CITY OF CHICAGO

to

ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION
as Trustee

TRUST INDENTURE

Securing

$886,000,000 CITY OF CHICAGO
GENERAL OBLIGATION BONDS, PROJECT AND REFUNDING SERIES 2017A

and

$274,260,000 CITY OF CHICAGO
GENERAL OBLIGATION BONDS, TAXABLE PROJECT SERIES 2017B

Dated as of February 1, 2017

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(This Table of Contents is not a part of the Indenture
and is only for convenience of reference)

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TRUST INDENTURE

THIS TRUST INDENTURE, made and entered into as of February 1, 2017 (this "*Indenture*"), from the CITY OF CHICAGO (the "*City*"), a municipal corporation and home rule unit of local government duly organized and existing under the Constitution and laws of the State of Illinois, to ZIONS BANK (the "*Trustee*"), a division of ZB, National Association, with trust powers, having a corporate trust office located in the City of Chicago, Illinois, duly organized, validly existing and authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the United States of America,

WITNESSETH:

WHEREAS, pursuant to an ordinance duly adopted by the City Council of the City (the "*City Council*") on October 5, 2016 (the "*Bond Ordinance*") the City duly authorized the issuance and sale of (i) its General Obligation Bonds, Project and Refunding Series 2017A (the "*Series 2017A Bonds*") in order to provide funds, together with other available funds, including proceeds of other general obligation bonds, for the purposes of (a) paying or reimbursing the City for its prior payment of a portion of the costs of the Project (as defined in the Bond Ordinance); (b) paying costs of the Refunding Purposes (as defined in the Bond Ordinance), (c) funding capitalized interest on certain of the 2017A Bonds; and (d) paying costs of issuance of the Series 2017A Bonds, and (ii) its General Obligation Bonds, Taxable Project Series 2017B (the "*Series 2017B Bonds*" and, together with the Series 2017A Bonds, the "*Bonds*") in order to provide funds, together with other available funds, including proceeds of other general obligation bonds, for the purposes of (a) paying or reimbursing the City for its prior payment of a portion of the costs of the Project (as defined in the Bond Ordinance) and (b) paying costs of issuance of the Series 2017B Bonds; and

WHEREAS, Refunding Purposes include (i) refunding certain of the Authorized General Obligation Bonds and Notes (as defined in the Bond Ordinance), identified in *Exhibit C* hereto (the "*Refunded Bonds*"), in order to achieve savings for the City or to restructure debt service otherwise payable on the Refunded Bonds, and (ii) refunding certain of the Authorized General Obligation Bonds and Notes, identified in *Exhibit C* hereto (the "*Interest-Only Bonds*"), in order to restructure debt service otherwise payable on the Interest-Only Bonds by providing for the payment of interest due on such Interest-Only Bonds; and

WHEREAS, it is in the best interests of the inhabitants of the City and necessary for the welfare of the government and affairs of the City that the Project be financed and undertaken and that the Refunding Purposes be effected; and

WHEREAS, by virtue of Article VII of the Illinois Constitution of 1970 and pursuant to the Bond Ordinance, the City is authorized to issue the Bonds, to enter into this Indenture and to do or cause to be done all the acts and things herein provided or required to be done; and

WHEREAS, the execution and delivery of the Bonds and of this Indenture have in all respects been duly authorized and all things necessary to make the Bonds, when executed by the City and authenticated by the Trustee, the legal, valid and binding obligations of the City and to make this Indenture a legal, valid and binding agreement, have been done; and

WHEREAS, the Series 2017A Bonds and the Series 2017B Bonds, and the Trustee's Certificate of Authentication to be endorsed on such Bonds, shall be substantially in the forms attached hereto as *Exhibits A-1* and *A-2*, respectively, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture and the Bond Ordinance;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

GRANTING CLAUSES

That the City, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the Bonds by their Registered Owners, and of the sum of one dollar, lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, to secure the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect, and to secure the performance and observance by the City of all the covenants expressed or implied in this Indenture and in the Bonds, assigns and grants a security interest in and to the following to the Trustee, and its successors in trust and assigns forever, to secure the performance of the obligations of the City hereinafter set forth (the "*Trust Estate*"):

GRANTING CLAUSE FIRST

Any moneys, revenues, receipts, income, assets or funds of the City legally available for such purposes including, but not limited to, the proceeds of a direct annual tax levied by the City in the Bond Ordinance upon all taxable property in the City, all to the extent provided in this Indenture;

GRANTING CLAUSE SECOND

All moneys and securities from time to time held by the Trustee under the terms of this Indenture, except for moneys deposited with or paid to the Trustee and held in trust under this Indenture for the redemption of Bonds, notice of the redemption of which has been duly given; and

GRANTING CLAUSE THIRD

Any and all other property, rights and interests of every kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, pledged, hypothecated or otherwise subjected to this Indenture, as and for additional security under this Indenture by the City or by any other person on its behalf or with its written consent to the Trustee, and the Trustee is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of this Indenture;

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its successors in said trust and assigns forever;

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in this Indenture for the equal and proportionate benefit, security and protection of all present and future Registered Owners of the Bonds, without privilege, priority or distinction as to the lien or otherwise of any of the foregoing over any other of the foregoing, except to the extent otherwise specifically provided in this Indenture;

PROVIDED, HOWEVER, that if the City, its successors or assigns shall well and truly pay, or cause to be paid, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner set forth therein according to the true intent and meaning thereof, and shall cause the payments to be made on the Bonds as required in this Indenture, or shall provide, as permitted by this Indenture, for the payment thereof, and shall well and truly cause to be kept, performed and observed all of its covenants and conditions pursuant to the terms of this Indenture, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions of this Indenture, then upon the final payment thereof this Indenture and the rights granted by this Indenture shall cease, determine and be void; otherwise this Indenture shall remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all said property, rights and interests and any other amounts hereby assigned and pledged are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as herein expressed, and the City has agreed and covenanted, and does hereby agree and covenant, with the Trustee and the respective owners of the Bonds as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. All capitalized terms used herein unless otherwise defined shall have the meanings given in the recitals above and the following meanings for purposes of this Indenture:

"*Authorized Denomination*" means $5,000 and any integral multiple thereof.

"*Authorized General Obligation Bonds and Notes*" means as provided in the Bond Ordinance.

"*Authorized Officer*" means the City's Chief Financial Officer or the City Comptroller.

"*Beneficial Owner*" means the owner of a beneficial interest in the Bonds registered in the name of Cede & Co., as nominee of DTC (or a successor securities depository or nominee for either of them).

"*Bond Counsel*" means one or more firms of nationally recognized bond counsel designated by the Corporation Counsel of the City.

"*Bond Fund*" means the City of Chicago General Obligation Bonds, Series 2017AB Bond Fund established and described in Section 4.03.

"*Bondholder*," "*holder*," or "*owner of the Bonds*" means the Registered Owner or Beneficial Owner of any Bond, as the case may be.

"*Bond Ordinance*" has the meaning given to such term in the recitals hereto.

"*Bond Register*" means the registration books of the City kept by the Trustee to evidence the registration and transfer of Bonds.

"*Bonds*" means the Series 2017A Bonds and the Series 2017B Bonds.

"*Business Day*" means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions located in the city where the Designated Corporate Trust Office is located are authorized or required by law or executive order to close, and (iii) a day on which The New York Stock Exchange, Inc. is closed.

"*Certificate*" means an instrument of the City in writing signed by an Authorized Officer. Any such instrument in writing and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed so as to form a single instrument. Any such instrument may be based, insofar as it relates to legal, accounting or engineering matters, upon the opinion or representation of counsel, accountants, or engineers, respectively, unless the officer signing such instrument knows that the opinion or representation with respect to the matters upon which such instrument may be based, as aforesaid, is erroneous. The same Authorized Officer, or the same counsel or accountant or other persons, as the case may be, need not certify to all of the matters required to be certified under any provision of this Indenture or any Supplemental Indenture, but different officers, counsel, accountants or other persons may certify to different facts, respectively.

"*Chief Financial Officer*" means the Chief Financial Officer appointed by the Mayor, or the City Comptroller of the City at any time a vacancy exists in the office of the Chief Financial Officer.

"*City*" means the City of Chicago, a municipal corporation and home rule unit of local government, organized and existing under the Constitution and laws of the State.

"*City Clerk*" means the duly qualified and acting City Clerk of the City or any Deputy City Clerk or other person that may lawfully take a specific action or perform a specific duty prescribed for the City Clerk pursuant to the Bond Ordinance.

"*City Comptroller*" means the City Comptroller of the City.

"*Closing Memorandum*" means the closing memorandum prepared by the Underwriters in connection with the issuance and delivery of the Bonds, in the form attached hereto as *Exhibit D*.

"Code" means the United States Internal Revenue Code of 1986, as amended. References to the Code and to Sections of the Code shall include relevant final, temporary or proposed regulations thereunder as in effect from time to time and as applicable to obligations issued on the Date of Issuance.

"Date of Issuance" means February 1, 2017, the date of issuance and delivery of the Bonds to the initial purchasers thereof.

"Defeasance Obligations" means: (1) direct obligations of the United States of America, (2) obligations of agencies of the United States of America, the timely payment of principal of and interest on which are guaranteed by the United States of America, (3) obligations of the following government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government: Federal Home Loan Mortgage Corp. (FHLMC) debt obligations, Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives) debt obligations, Federal Home Loan Banks (FHL Banks) debt obligations, Fannie Mae debt obligations, Financing Corp. (FICO) debt obligations, Resolution Funding Corp. (REFCORP) debt obligations, and U.S. Agency for International Development (U.S. A.I.D.) Guaranteed notes, (4) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, or (5) instruments evidencing an ownership interest in obligations described in the preceding clauses (1), (2) or (3).

"Designated Corporate Trust Office" means the corporate trust office of the Trustee located at the address of the Trustee set forth for notices to the Trustee in Section 10.03 hereof, as such address may be changed from time to time by the Trustee.

"DTC" means The Depository Trust Company, New York, New York, or its nominee, and its successors and assigns, or any other depository performing similar functions.

"Escrow Agreements" means the Escrow Deposit Agreements, each dated as of February 1, 2017, between the City and the applicable Escrow Trustees, with respect to the Refunded Bonds or the Interest-Only Bonds, as applicable.

"Escrow Trustee" means the bond registrar and paying agent for the applicable Refunded Bonds or Interest-Only Bonds in its capacity as escrow trustee for such Refunded Bonds or Interest-Only Bonds pursuant to the applicable Escrow Agreement.

"Escrow Verification Report" means the report of Robert Thomas, CPA, LLC, dated February 1, 2017, with respect to the refunding of the Refunded Bonds and the Interest-Only-Bonds.

"Federal Obligation" means any direct obligation of, or any obligation the full and timely payment of principal of and interest on which is guaranteed by, the United States of America.

"*Fitch*" means Fitch Ratings Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated, or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

"*Indenture*" means this Indenture, as amended from time to time in accordance with Article IX hereof.

"*Interest-Only Bonds*" means as provided in the recitals to this Indenture.

"*Interest Payment Date*" means each January 1 and July 1. The initial Interest Payment Date shall be July 1, 2017.

"*Kroll*" means Kroll Bond Rating Agency, its successors and assigns, and, if Kroll shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Kroll" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

"*Make-Whole Redemption Price*" means, with respect to the Series 2017B Bonds, the greater of (A) 100% of the principal amount of the Series 2017B Bonds to be redeemed or (B) the sum of the present values of the remaining scheduled payments of principal and interest on such Series 2017B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2017B Bonds are to be redeemed, discounted to the date of redemption of such Series 2017B Bonds to be redeemed on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined herein) plus 70 basis points, plus, in each case, accrued interest on the Series 2017B Bonds to be redeemed to the date fixed for redemption. The Make-Whole Redemption Price of the Series 2017B Bonds to be redeemed will be calculated by an independent accounting firm, investment banking firm or financial advisor (the "*Calculation Agent*") retained by the City at the City's expense. The Trustee and the City may rely on the Calculation Agent's determination of the Make-Whole Redemption Price and will not be liable for such reliance. An Authorized Officer shall confirm and transmit the redemption price as so calculated on such dates to the Trustee and to such other parties as shall be necessary to effectuate such redemption.

"*Maturity Date*" means, for the Bonds of each specified maturity, the applicable maturity date set forth in Section 2.02.

"*Municipal Code*" means the Municipal Code of Chicago, as from time to time amended.

"*Opinion of Bond Counsel*" means a written opinion of Bond Counsel in form and substance acceptable to the City.

"*Outstanding*" means, when used with reference to any Bonds of any Series, all of such obligations issued under this Indenture that are unpaid, *provided* that such term does not include:

(a) Bonds of such Series canceled at or prior to such date or delivered to or acquired by the Trustee or Paying Agent at or prior to such date for cancellation;

(b) matured or redeemed Bonds of such Series which have not been presented for payment in accordance with the provisions of this Indenture and for the payment of which the City has deposited funds with the Trustee or Paying Agent;

(c) Bonds of such Series for which the City has provided for payment by depositing in an irrevocable trust or escrow, cash or Defeasance Obligations, in each case, the maturing principal of and interest on which will be sufficient to pay at maturity, or if called for redemption on the applicable redemption date, the principal of, redemption premium, if any, and interest on such Bonds;

(d) Bonds of such Series in lieu of or in exchange or substitution for which other Bonds of such Series shall have been authenticated and delivered pursuant to this Indenture; and

(e) Bonds of such Series owned by the City and tendered to the Trustee for cancellation.

"Participant," when used with respect to any Securities Depository, means any participant of such Securities Depository.

"Paying Agent" means the Trustee and any additional Paying Agent designated by the Trustee pursuant to Section 8.04 hereof, and any successor thereto.

"Permitted Investments" means any of the following obligations or securities permitted under the laws of the State and the Municipal Code:

(a) interest-bearing general obligations of the United States of America, the State or the City;

(b) United States treasury bills and other non-interest bearing general obligations of the United States of America when offered for sale in the open market at a price below the face value of same, so as to afford the City a return on such investment in lieu of interest;

(c) short-term discount obligations of the United States Government or United States Government agencies;

(d) certificates of deposit of national banks or banks located within the City which are either (i) fully collateralized at least 110 percent by marketable United States Government securities marked to market at least monthly or (ii) secured by a corporate surety bond issued by an insurance company licensed to do business in the State and having a claims-paying rating in the top rating category as rated by a nationally recognized statistical rating organization and maintaining such rating during the term of such investment;

(e) banker's acceptances of banks and commercial paper of banks whose senior obligations are rated in the top two short-term rating categories by at least two national rating agencies and maintaining such rating during the term of such investment;

(f) tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the City's tax-exempt debt obligations; and

(g) domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission, including any such fund for which the Trustee or any of its affiliates provides any service including any service for which a fee may be paid.

"*Principal and Interest Account*" means the "Series 2017AB Principal and Interest Account" established within the Bond Fund, as described in Section 4.03 hereof.

"*Principal and Interest Account Requirement*" means an amount, equal to the total principal installment and interest due on the Bonds as of each January 1 and July 1 (including any mandatory redemption of the Bonds as required by Section 3.01(c) hereof).

"*Project*" means as provided in the Bond Ordinance.

"*Project Costs*" means the cost of acquisition, construction and equipping of the Project, including the cost of acquisition of all land, rights of way, property, rights, easements and interests acquired by the City for such construction, the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved, the cost of all machinery and equipment determined to be necessary and desirable by the City, the costs of issuance of the Bonds, financing charges, financial advisory fees, consultant fees, interest prior to and during construction and, as permitted under the Code for such period after completion of construction as the City shall determine, the cost of engineering and legal expenses, plans, specifications, estimates of cost and revenues, other expenses necessary or incident to determining the feasibility or practicability of constructing any portion of the Project, administrative expenses and such other costs, expenses and funding as may be necessary or incident to the construction of the Project, financing of such construction and placing the Project in operation.

"*Project Funds*" means, collectively, the Series 2017A Project Fund and the Series 2017B Project Fund.

"*Qualified Collateral*" means:

(a) Federal Obligations;

(b) direct and general obligations of any state of the United States of America or any political subdivision of the State which are rated not less than "AA" or "Aa2" or their equivalents by any nationally recognized securities rating agency; and

(c) public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or project notes issued by public housing authorities, or project notes issued by local public agencies, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America.

"*Rating Agency*" means any of Fitch, S&P and Kroll, or another rating agency that has a credit rating assigned to the Bonds at the request of the City.

"*Record Date*" means each June 15 and December 15 (whether or not a Business Day).

"*Redemption Price*" means for purposes of this Indenture, (i) in the case of an optional redemption of Series 2017A Bonds under Section 3.01(a)(i) hereof or a mandatory redemption of Bonds under Section 3.01(c) hereof, 100% of the principal amount thereof plus accrued interest, if any, on the Bonds to be redeemed to the date of redemption and (ii) in the case of an optional redemption of Series 2017B Bonds under Section 3.01(a)(ii) hereof, the Make-Whole Redemption Price.

"*Refunded Bonds*" means as provided in the recitals to this Indenture.

"*Refunding Purposes*" means as provided in the Bond Ordinance.

"*Registered Owner*" or "*Owner*" means the person or persons in whose name or names a Bond shall be registered in the Bond Register.

"*S&P*" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, its successors and assigns, and, if S&P shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

"*Securities Depository*" means DTC and any other securities depository registered as a clearing agency with the Securities and Exchange Commission pursuant to Section 17A of the Securities Exchange Act of 1934, as amended, and appointed as the securities depository for the Bonds.

"*Series 2017A Bonds*" means the General Obligation Bonds, Project and Refunding Series 2017A, issued pursuant to Section 2.01 hereof.

"*Series 2017A Capitalized Interest Account*" means the "City of Chicago General Obligation Bonds, Project and Refunding Series 2017A, Capitalized Interest Account" established and described in Section 4.04 hereof.

"*Series 2017A Costs of Issuance Account*" means the account of that name established and described in Section 4.06(a) hereof.

"*Series 2017A Project Fund*" means the "City of Chicago General Obligation Bonds, Series 2017A Project Fund" established and described in Section 4.05 hereof.

"*Series 2017B Bonds*" means the General Obligation Bonds, Taxable Project Series 2017B, issued pursuant to Section 2.01 hereof.

"*Series 2017B Costs of Issuance Account*" means the account of that name established and described in Section 4.06(b) hereof.

"*Series 2017B Project Fund*" means the "City of Chicago General Obligation Bonds, Series 2017B Project Fund" established and described in Section 4.05 hereof.

"*State*" means the State of Illinois.

"*Supplemental Indenture*" means any indenture modifying, altering, amending, supplementing or confirming this Indenture duly entered into in accordance with the terms hereof.

"*Tax Certificate*" means the Tax Exemption Certificate of the City dated the Date of Issuance pertaining to the Series 2017A Bonds.

"*Treasury Rate*" means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that is publicly available at least four Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bonds of such series to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. For purposes of this definition, "*Business Day*" means any day other than a day on which banks in New York, New York, Chicago, Illinois, or the city in which the Bond Registrar maintains its designated office are required or authorized to close. The Treasury Rate shall be determined by an independent accounting firm, investment banking firm or municipal advisor retained by the City at the City's expense.

"*Trust Estate*" means the property conveyed to the Trustee pursuant to the Granting Clauses hereof.

"*Trustee*" means Zions Bank, a division of ZB, National Association, a national banking association with trust powers, and its successors and any entity resulting from or surviving any consolidation or merger to which it or its successors may be a party, and any successor Trustee at the time serving as successor trustee hereunder.

"*Underwriters*" means the group of underwriters selected by the City to underwrite the sale of the Bonds pursuant to Section 12 of the Bond Ordinance, of which Goldman Sachs & Co. is the representative.

ARTICLE II

THE BONDS

Section 2.01. Authority for and Issuance of Bonds. (a) No Bonds may be issued under the provisions of this Indenture except in accordance with this Article. Except as provided in Section 2.07 hereof, the total principal amount of Bonds that may be issued hereunder is expressly limited to $1,160,260,000, consisting of $886,000,000 Series 2017A Bonds and $274,260,000 Series 2017B Bonds.

The Series 2017A Bonds shall be designated "City of Chicago General Obligation Bonds, Project and Refunding Series 2017A" and shall be issued as fully registered bonds, without coupons, in Authorized Denominations substantially in the form attached as *Exhibit A-1* hereto. Unless the City shall otherwise direct, the Series 2017A Bonds shall be lettered and numbered from R-1 and upwards. Each Series 2017A Bond shall be dated the Date of Issuance and shall mature, subject to prior redemption as provided in Article III hereof, on its Maturity Date.

The Series 2017B Bonds shall be designated "City of Chicago General Obligation Bonds, Taxable Project Series 2017B" and shall be issued as fully registered bonds, without coupons, in Authorized Denominations substantially in the form attached as *Exhibit A-2* hereto. Unless the City shall otherwise direct, the Series 2017B Bonds shall be lettered and numbered from R-1 and upwards. Each Series 2017B Bond shall be dated the Date of Issuance and shall mature, subject to prior redemption as provided in Article III hereof, on its Maturity Date.

(b) Each Bond shall bear interest from the later of its date or the most recent Interest Payment Date to which interest has been paid or duly provided for, until the principal amount of such Bond is paid, such interest being payable on January 1 and July 1 of each year, commencing on July 1, 2017. Interest on each Bond shall be paid to the person in whose name such Bond is registered at the close of business on the Record Date next preceding the applicable Interest Payment Date, by check or draft of the Trustee, or, at the option of any registered owner of $1,000,000 or more in aggregate principal amount of Bonds of a series, by wire transfer of immediately available funds to such bank in the continental United States of America as the registered owner of such Bonds shall request in writing to the Trustee.

(c) The principal of the Bonds and any redemption premium shall be payable in lawful money of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, upon presentation and surrender thereof at the Designated Corporate Trust Office of the Trustee.

Section 2.02. General Terms of Bonds. The Bonds shall mature on January 1 in each year shown in the following tables in the respective principal amount set forth opposite each such year. The Bonds shall bear interest from and including the Date of Issuance as shown in the tables below until payment of the principal or applicable Redemption Price thereof shall have been made or provided for in accordance with the provisions hereof, whether at the applicable Maturity Date, upon redemption or acceleration, or otherwise. Interest accrued on the Bonds shall be paid in arrears on each Interest Payment Date. Interest on the Bonds shall be computed upon the basis of a 360 day year consisting of twelve 30 day months.

MATURITIES, AMOUNTS AND INTEREST RATES
SERIES 2017A

Maturity (January 1)	Principal Amount	Interest Rate
2029	$20,980,000	5.625%
2030	41,565,000	5.625
2031	43,655,000	5.625
2033	32,690,000	5.750
2034	34,120,000	5.750

$712,990,000 6.000% Term Bond due January 1, 2038

MATURITIES, AMOUNTS AND INTEREST RATES
Series 2017B

$274,260,000 7.045% Term Bond due January 1, 2029

Section 2.03. Execution. The seal of the City or a facsimile thereof shall be affixed to or printed on each of the Bonds, and the Bonds shall be executed by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk, and in case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all proposes, the same as if such officer had remained in office until delivery.

Section 2.04. Authentication. All Series 2017A Bonds and Series 2017B Bonds shall have thereon a certificate of authentication substantially in the form attached hereto as part of *Exhibits A-1* and *A-2*, respectively, duly executed by the Trustee as authenticating agent of the City and showing the date of authentication. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Indenture unless and until such certificate of authentication shall have been duly executed by the Trustee by manual signature, and such certificate of authentication upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under the Bond Ordinance and this Indenture. The certificate of authentication on any Bond shall be deemed to have been executed by the Trustee if signed by an authorized officer of such Trustee, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder.

Section 2.05. Forms of Bonds; Temporary Bonds. The Series 2017A Bonds and Series 2017B Bonds issued under this Indenture shall be substantially in the form attached hereto as *Exhibits A-1* and *A-2*, respectively, with such appropriate variations, omissions and insertions as are permitted or required by the Bond Ordinance and this Indenture.

Pending preparation of definitive Bonds, or by agreement with the purchasers of the Bonds, the City may issue and, upon its request, the Trustee shall authenticate, in lieu of definitive Bonds, one or more temporary printed or typewritten Bonds in Authorized Denominations of substantially the tenor recited above. Upon request of the City, the Trustee shall authenticate definitive Bonds in exchange for and upon surrender of an equal principal amount of temporary Bonds. Until so exchanged, temporary Bonds shall have the same rights, remedies and security hereunder as definitive Bonds.

Section 2.06. Delivery of Bonds. Upon the execution and delivery of this Indenture, the City shall execute and deliver to the Trustee, and the Trustee shall authenticate, the Bonds and deliver them to the purchasers as may be directed by the City as hereinafter in this Section provided.

Prior to the delivery by the Trustee of any of the Bonds there shall be filed with the Trustee:

(1) copies, duly certified by the City Clerk of the City, of the Bond Ordinance;

(2) a notification of sale of the City, signed by an Authorized Officer, as required by Section 12 of the Bond Ordinance;

(3) original executed counterparts of this Indenture;

(4) executed counterparts of the Escrow Agreements;

(5) a signed copy of the Escrow Verification Report;

(6) an Opinion of Bond Counsel to the effect that this Indenture (i) has been duly and lawfully authorized by the City Council of the City and executed by the City in accordance with the provisions of the Bond Ordinance and (ii) will, when executed and delivered by the Trustee, be valid and binding upon the City and enforceable in accordance with its terms;

(7) a Certificate executed by the City Comptroller stating that all conditions precedent with respect to the execution of all documents by the City relating to the Bonds have been satisfied; and

(8) such further documents, certificates and opinions as may be required by the provisions of the Bond Ordinance, this Indenture, any bond purchase agreement with respect to the sale of the Bonds or proceedings taken pursuant thereto.

Section 2.07. Mutilated, Lost, Stolen or Destroyed Bonds. If any Bond, whether in temporary or definitive form, is lost (whether by reason of theft or otherwise), destroyed (whether by mutilation, damage, in whole or in part, or otherwise) or improperly cancelled, the Trustee may authenticate a new Bond of like series, date, maturity date, interest rate, denomination and principal amount and bearing a number not contemporaneously outstanding; *provided* that (i) in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and (ii) in the case of any lost Bond or Bond destroyed in whole, there shall be first furnished to the Trustee evidence of such loss, theft, or destruction satisfactory to the City and the Trustee, together with indemnification of the City and the Trustee, satisfactory to the Trustee. If any lost, destroyed or improperly cancelled Bond shall have matured or is about to mature, or has been called for redemption, instead of issuing a duplicate Bond, the Trustee shall pay the same without surrender thereof if there shall be first furnished to the Trustee evidence of such loss, destruction or cancellation, together with indemnity, satisfactory to it. Upon the issuance of any substitute Bond, the Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

All Bonds shall be owned upon the express condition that the foregoing provisions, to the extent permitted by law, are exclusive with respect to the replacement or payment of mutilated, destroyed, lost, stolen or purchased Bonds, and shall preclude any and all other rights or remedies.

Section 2.08. Transfer and Exchange of Bonds; Persons Treated as Owners. (a) Subject to the limitations contained in subsection (c) of this Section, upon surrender for registration of transfer of any Bond at the Designated Corporate Trust Office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by the Bondholder or such Bondholder's attorney duly authorized in writing in such form and with guarantee of signature as shall be satisfactory to the Trustee, the City shall execute, and the Trustee shall authenticate and deliver, in the name of the transferee or transferees, one or more fully registered Bonds of the same series, interest rate and Maturity Date of Authorized Denominations, for a like principal amount bearing numbers not contemporaneously outstanding. Subject to the limitations contained in subsection (c) of this Section, Bonds may be exchanged at the Designated Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of the same series, interest rate and Maturity Date of other Authorized Denominations bearing numbers not contemporaneously outstanding.

(b) No service charge shall be made for any transfer or exchange of Bonds, but the City or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds, except that no such payment may be required in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

(c) The Trustee shall not be required to transfer or exchange any Bond during the period commencing on the Record Date next preceding any Interest Payment Date of such Bond and ending on such Interest Payment Date, or to transfer or exchange such Bond after the mailing of notice calling such Bond for redemption has been made as herein provided or during the period of 15 days next preceding the giving of notice of redemption of Bonds of the same Maturity Date and interest rate.

(d) Bonds delivered upon any registration of transfer or exchange as provided herein or as provided in Section 2.07 hereof shall be valid general obligations of the City, evidencing the same debt as the Bonds surrendered, shall be secured by this Indenture and shall be entitled to all of the security and benefits hereof and of the Bond Ordinance to the same extent as the Bond surrendered. The City, the Trustee and any Paying Agent may treat the Registered Owner of any Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and shall not be bound by any notice to the contrary. All payments of or on account of the principal of, premium, if any, and interest on any such Bond as herein provided shall be made only to or upon the written order of the Registered Owner thereof or such Registered Owner's legal representative, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Section 2.09. Required Information in Bond Form. On each date on which the Trustee authenticates and delivers a Bond, it shall complete the information required to be inserted by the applicable bond form and shall keep a record of such information.

Section 2.10. Cancellation. Any Bond surrendered for the purpose of payment or retirement, or for exchange, transfer or replacement, shall be canceled upon surrender thereof to the Trustee or any Paying Agent. If the City shall acquire any of the Bonds, the City shall deliver such Bonds to the Trustee for cancellation and the Trustee shall cancel the same. Any such Bonds canceled by any Paying Agent other than the Trustee shall be promptly transmitted by such Paying Agent to the Trustee. Certification of Bonds canceled by the Trustee and Bonds canceled by a Paying Agent other than the Trustee which are transmitted to the Trustee shall be made to the City. Canceled Bonds may be destroyed by the Trustee unless instructions to the contrary are received from the City.

Section 2.11. Book Entry Provisions. The provisions of this Section shall apply as long as the Bonds are maintained in book entry form with DTC or another Securities Depository, any provisions of this Indenture to the contrary notwithstanding. Notwithstanding anything else to the contrary herein, so long as DTC is the Securities Depository, the Bonds shall be subject to the operational arrangements of DTC in effect from time to time.

(a) The Bonds shall be payable to the Securities Depository, or its nominee, as the Registered Owner of the Bonds, in same day funds on each date on which the principal of, premium, if any, and interest on the Bonds is due as set forth in this Indenture and the Bonds. Such payments shall be made to the offices of the Securities Depository specified by the Securities Depository to the City and the Trustee in writing. Without notice to or the consent of the Beneficial Owners of the Bonds, the City and the Securities Depository may agree in writing to make payments of principal and interest in a manner different from that set forth herein. If such different manner of payment is agreed upon, the City shall give the Trustee notice thereof, and the Trustee shall make payments with respect to the Bonds in the manner specified in such notice. Neither the City nor the Trustee shall have any obligation with respect to the transfer or crediting of the principal of, premium, if any, and interest on the Bonds to Participants or the Beneficial Owners of the Bonds or their nominees.

(b) If (i) the City determines, or (ii) the City receives notice that the Securities Depository has received notice from its Participants having interests in at least 50 percent in principal amount of the Bonds, that the Securities Depository or its successor is incapable of discharging its responsibilities as a securities depository, or that it is in the best interests of the Beneficial Owners that they obtain certificated Bonds, the City may (or, in the case of clause (ii) above, the City shall) cause the Trustee to authenticate and deliver Bond certificates. The City shall have no obligation to make any investigation to determine the occurrence of any events that would permit the City to make any determination described in this paragraph.

(c) If, following a determination or event specified in paragraph (b) above, the City discontinues the maintenance of the Bonds in book entry form with the then current Securities Depository, the City will issue replacement Bonds to the replacement Securities Depository, if any, or, if no replacement Securities Depository is selected for the Bonds, directly to the Participants as shown on the records of the former Securities Depository or, to the extent requested by any Participant, to the Beneficial Owners of the Bonds shown on the records of such Participant. Any such Bonds so issued in replacement shall be in fully registered form and in Authorized Denominations, be payable as to interest on the Interest Payment Dates of the Bonds by check mailed to each Registered Owner at the address of such Registered Owner as it appears on the Bond Register or, at the option of any Registered Owner of not less than $1,000,000 principal amount of Bonds, by wire transfer to any address in the United States of America on such Interest Payment Date to such Registered Owner as of such Record Date, if such Registered Owner provides the Trustee with written notice of such wire transfer address not later than the Record Date (which notice may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked by subsequent notice). Principal and premium, if any, on the replacement Bonds are payable only upon presentation and surrender of such replacement Bond or Bonds at the Designated Corporate Trust Office of the Trustee.

(d) The Securities Depository and its Participants, and the Beneficial Owners of the Bonds, by their acceptance of the Bonds, agree that the City and the Trustee shall not have liability for the failure of such Securities Depository to perform its obligations to the Participants and the Beneficial Owners of the Bonds, nor shall the City or the Trustee be liable for the failure of any Participant or other nominee of the Beneficial Owners to perform any obligation of the Participant to a Beneficial Owner of the Bonds.

(e) As long as Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

(f) As long as Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Registered Owner of the Bonds:

(i) selection of Bonds to be redeemed upon partial redemption or presentation of Bonds to the Trustee upon partial redemption, shall be deemed made when the right to exercise ownership rights in such Bonds through DTC or DTC's Participants is transferred by DTC on its books;

(ii) any notices of the interest rate on the Bonds to be provided by the Trustee shall be provided to anyone identifying itself to the Trustee as a person entitled to exercise ownership rights with respect to such Bonds through DTC or its Participants; and

(iii) DTC may present notices, approvals, waivers or other communications required or permitted to be made by Registered Owners under this Indenture on a fractionalized basis on behalf of some or all of those persons entitled to exercise ownership rights in the Bonds through DTC or its Participants.

ARTICLE III

REDEMPTION OF BONDS

Section 3.01. Redemption Terms, Dates and Prices. The Bonds shall be subject to redemption prior to their respective Maturity Dates in the amounts, at the times and in the manner provided in this Section.

(a) *Optional Redemption.*

(i) The Series 2017A Bonds are subject to optional redemption, in whole or in part, on any date occurring on or after January 1, 2027, and if less than all of the outstanding Series 2017A Bonds of a single maturity are to be redeemed the Series 2017A Bonds called shall be called by lot, in such principal amounts and from such maturities as the City shall determine, at a Redemption Price equal to 100% of the principal amount of the Series 2017A Bonds being redeemed plus accrued interest, if any, to the date fixed for redemption.

(ii) The Series 2017B Bonds are subject to redemption prior to maturity at the option of the City, in whole or in part, and if in part from such maturities and interest rates as shall be determined by an Authorized Officer on any Business Day at a Redemption Price equal to the Make-Whole Redemption Price.

(iii) The City is authorized to sell or waive any right the City may have to call any of the Bonds for optional redemption, in whole or in part; *provided,* that such sale or waiver will not adversely affect the excludability of interest on the Series 2017 Bonds from gross income for federal income tax purposes.

(b) *General Provisions Regarding Redemptions.*

(i) No redemption of less than all of the Bonds of a series Outstanding shall be made pursuant to Section 3.01(a) hereof unless the aggregate principal amount of Bonds of such series to be redeemed is equal to a multiple of $5,000. Any redemption of less than all of the Bonds of a series Outstanding shall be made in such a manner that all Bonds of such series Outstanding after such redemption are in Authorized Denominations. If fewer than all Bonds of such series Outstanding are to be optionally redeemed, the Bonds of such series to be called shall be called from such maturities and interest rates as may be determined by an Authorized Officer.

(ii) Bonds may be called for redemption by the Trustee pursuant to Sections 3.01(a) and 3.01(c) hereof upon receipt by the Trustee at least 45 days prior to the redemption date (unless a shorter time period shall be satisfactory to the Trustee) of, in the case of a redemption pursuant to Section 3.01(a) of a written request of the City requesting such redemption, or in the case of a redemption pursuant to Section 3.01(c) in accordance with the applicable mandatory schedule provided herein.

(iii) In lieu of redeeming Bonds pursuant to Section 3.01(a) hereof, the Trustee may, at the request of the City, use such funds available hereunder for redemption of Bonds to purchase Bonds of the applicable series in the open market at a price not exceeding the Redemption Price then applicable hereunder. Any Bond so purchased in lieu of redemption shall be delivered to the Trustee for cancellation and shall be canceled, all as provided in Section 2.10 hereof.

(c) *Mandatory Redemption of Bonds.*

The Series 2017A Bonds maturing on January 1, 2038 are subject to mandatory redemption prior to maturity on January 1 of the years and in the amounts set forth below, at a Redemption Price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption:

YEAR	PRINCIPAL AMOUNT
2035	$35,605,000
2036	224,380,000
2037	308,450,000
2038*	144,555,000

*Final Maturity

The principal amount of the Series 2017A Bonds to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof, with any partial optional redemption of such Series 2017A Bonds credited against future mandatory redemption requirements in such order of the mandatory redemption dates as the City may determine. In addition, on or prior to the sixtieth (60th) day preceding any mandatory redemption date, the Trustee, if directed by the City, shall purchase Series 2017A Bonds required to be retired on such mandatory redemption date at such prices as the City shall determine. Any such Series 2017A Bond so purchased shall be canceled and the principal amount thereof shall be credited against the payment required on such next mandatory redemption date.

The Series 2017B Bonds maturing on January 1, 2029 are subject to mandatory redemption prior to maturity at a Redemption Price on January 1 of the years and in the amounts set forth below, at a Redemption Price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption:

YEAR	PRINCIPAL AMOUNT
2021	$38,320,000
2022	32,540,000
2023	25,895,000
2024	27,710,000
2025	29,615,000
2026	31,725,000
2027	34,030,000
2028	36,460,000
2029*	17,965,000

*Final Maturity

The principal amount of the Series 2017B Bonds to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof, with any partial optional redemption of such Series 2017B Bonds of a maturity credited against future mandatory redemption requirements for Series 2017B Bonds of that maturity in such order of the mandatory redemption dates as the City may determine. In addition, on or prior to the sixtieth (60th) day preceding any mandatory redemption date, the Trustee, if directed by the City, shall purchase Series 2017B Bonds required to be retired on such mandatory redemption date at such prices as the City shall determine. Any such Series 2017B Bond so purchased shall be canceled and the principal amount thereof shall be credited against the payment required on such next mandatory redemption date.

Section 3.02. Notice of Redemption. (a) Unless waived by any owner of Bonds to be redeemed, notice of the call for any such redemption shall be given by the Trustee on behalf of the City by mailing the redemption notice by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Trustee, but the failure to mail any such notice or any defect therein as to any Bond shall not affect the validity of the proceedings for the redemption of any other Bond. Any notice of redemption mailed as provided in this Section 3.02 shall be conclusively presumed to have been given whether or not actually received by the addressee.

All notices of redemption shall state:

(1) the series designation of the Bonds to be redeemed,

(2) the redemption date,

(3) the applicable Redemption Price,

(4) if less than all outstanding Bonds of a series are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts and interest rates) of the Bonds of such series to be redeemed,

(5) that on the redemption date the applicable Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue or compound from and after said date,

(6) the place where such Bonds are to be surrendered for payment of the applicable Redemption Price, and

(7) such other information as shall be deemed necessary by the Trustee at the time such notice is given to comply with law, regulation or industry standard.

(b) With respect to an optional redemption of Bonds, such notice may state that said redemption is conditioned upon the receipt by the Trustee on or prior to the date fixed for redemption of moneys sufficient to pay the applicable Redemption Price of the Bonds. If such moneys are not so received, such redemption notice shall be of no force and effect, the City shall not redeem such Bonds and such failure to deposit such funds shall not constitute an Event of Default under this Indenture. The Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed. Unless the notice of redemption shall be made conditional as provided above, on or prior to any redemption date for the Bonds, the City shall deposit with the Trustee an amount of money sufficient to pay the applicable Redemption Price of all the Bonds or portions thereof which are to be redeemed on that date.

(c) Notice of redemption having been given as aforesaid, the Bonds, or portions thereof, so to be redeemed shall, on the redemption date, become due and payable at the applicable Redemption Price therein specified, and from and after such date (unless the City defaults in the payment of the applicable Redemption Price or unless, in the event of a conditional notice as described above, the necessary moneys were not deposited) such Bonds, or portions thereof, shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Trustee at the applicable Redemption Price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Registered Owner a new Bond or Bonds of the same interest rate and maturity in the amount of the unpaid principal.

(d) If any Bond, or portion thereof, called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the redemption date at the rate borne by such Bond, or portion thereof, so called for redemption. All Bonds which have been redeemed shall be cancelled and destroyed by the Trustee and shall not be reissued.

(e) Failure to give notice in the manner prescribed hereunder with respect to any Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any Bond with respect to which notice was properly given. Upon the happening of the above conditions and if sufficient moneys are on deposit with the Trustee on the applicable redemption date to redeem the Bonds to be redeemed and to pay interest due thereon and premium, if any, the Bonds thus called shall not, after the applicable redemption date, bear interest, be protected by this Indenture or the Bond Ordinance or be deemed to be Outstanding under the provisions of this Indenture.

(f) If any Bond is transferred or exchanged on the Bond Register after notice has been given calling such Bond for redemption, the Trustee will attach a copy of such notice to the Bond issued in connection with such transfer or exchange.

(g) If any Bond is not presented for payment when the principal amount thereof becomes due, either at maturity or at a date fixed for redemption thereof or otherwise, and if moneys sufficient to pay such Bond are held by the Trustee for the benefit of the Registered Owner of such Bond, the Trustee shall hold such moneys for the benefit of the Registered Owner of such Bond without liability to the Registered Owner for interest. The Registered Owner of such Bond thereafter shall be restricted exclusively to such funds for satisfaction of any claims relating to such Bond.

Section 3.03. Selection of Bonds for Redemption. (a) If less than all the Bonds of a series shall be called for redemption under any provision of this Indenture permitting such partial redemption, (i) such redemption shall be by lot in such manner as the Trustee may determine among such Bonds, and (ii) subject to other applicable provisions of this Indenture, the portion of any Bond to be redeemed shall be in a principal amount equal to an Authorized Denomination. In selecting Bonds for redemption, the Trustee shall assign to each Series 2017A Bond of like Maturity Date and interest rate, a distinctive number for each minimum Authorized Denomination of such Bond and shall select by lot from the numbers so assigned as many numbers as, at such minimum Authorized Denomination for each number, shall equal the principal amount of such Bonds to be redeemed. In such case, the Bonds to be redeemed shall be those to which were assigned numbers so selected; provided that only so much of the principal amount of each Bond shall be redeemed as shall equal such minimum Authorized Denomination for each number assigned to it and so selected.

(b) While the Bonds of a series are registered in the book-entry system and so long as DTC or a successor securities depositor is the sole registered owner of such Bonds, if less than all of the Bonds of such series and maturity shall be called for redemption, the Trustee shall instruct DTC or such successor securities depository to select the particular Bonds or portions of such Bonds to be redeemed by lot by DTC or such successor securities depository in such manner as DTC or such successor securities depository may determine.

(c) If it is determined that one or more, but not all, of the integral multiples of the Authorized Denomination of principal amount represented by any Bond is to be called for redemption, then, upon notice of intention to redeem such integral multiple of an Authorized Denomination, the Registered Owner of such Bond shall forthwith surrender such Bond to the Trustee for (a) payment to such Registered Owner of the applicable Redemption Price of the integral multiple of the Authorized Denomination of principal amount called for redemption, and (b) delivery to such Registered Owner of a new Bond or Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such Bond. New Bonds representing the unredeemed balance of the principal amount of such Bond shall be issued to the Registered Owner thereof without charge therefor.

The Trustee shall promptly notify the City in writing of the Bonds, or portions thereof, selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof, and the interest rate thereof to be redeemed.

Section 3.04. Deposit of Funds. For the redemption of any Bonds, and subject to the provisions of Section 3.02(b) hereof with respect to conditional notice of redemption, the City shall cause to be deposited in the Principal and Interest Account moneys sufficient to pay when due the principal of, and premium, if any, and interest on, the Bonds to be redeemed on the redemption date to be applied in accordance with the provisions hereof.

ARTICLE IV

APPLICATION OF BOND PROCEEDS; CREATION OF FUNDS AND SECURITY FOR BONDS

Section 4.01. Source of Payment of Bonds. Pursuant to the Bond Ordinance, the Bonds constitute direct and general obligations of the City for the payment of which the City pledges its full faith and credit.

Section 4.02. Application of Bond Proceeds. (a) The proceeds of the sale of the Series 2017A Bonds, consisting of the principal amount of the Bonds less original issue discount of $21,756,221.00 used in the marketing of the Bonds and less an Underwriters' discount of $5,621,277.78, shall be applied simultaneously with their delivery as follows:

(i) Accrued interest, if any, on the Series 2017A Bonds shall be deposited into the Principal and Interest Account;

(ii) $77,206,210.29 of such proceeds shall be deposited into the Series 2017A Capitalized Interest Account;

(iii) $1,454,823.68 of such proceeds shall be deposited into the Series 2017A Costs of Issuance Account; and

(iv) $318,273,769.00 of such proceeds shall be deposited into the Series 2017A Project Fund.

Additionally, the Underwriters will disburse $461,687,698.25 of such proceeds directly to the applicable Escrow Trustees on the Closing Date in accordance with the Closing Memorandum.

(b) The proceeds of the sale of the Series 2017B Bonds, consisting of the principal amount of the Bonds less an Underwriters' discount of $1,740,058.29, shall be applied simultaneously with their delivery as follows:

(i) Accrued interest, if any, on the Series 2017B Bonds shall be deposited into the Principal and Interest Account;

(ii) $452,497.21 of such proceeds shall be deposited into the Series 2017B Costs of Issuance Account; and

(iii) $272,067,444.50 of such proceeds shall be deposited into the Series 2017B Project Fund.

Section 4.03. Creation of Bond Fund and the Accounts Therein. (a) There is established with the Trustee a trust fund designated "City of Chicago General Obligation Bonds, Series 2017AB Bond Fund" (the "*Bond Fund*")

(i) At each such time as is required under this Indenture, the City shall deposit into the Bond Fund, from funds of the City legally available therefor, an amount sufficient to satisfy the Principal and Interest Account Requirement.

(ii) Money on deposit in the Bond Fund shall be applied by the Trustee to pay the principal of (whether due at maturity or by mandatory redemption) and interest on the Bonds as the same become due.

(iii) Pending the use of moneys held in the Bond Fund, the Trustee shall invest such moneys in Permitted Investments upon the direction of an Authorized Officer or any person designated by an Authorized Officer. Income from such investments shall be credited to the Bond Fund.

(b) There is established with the Trustee an account within the Bond Fund, designated as the "Series 2017AB Principal and Interest Account" (the "*Principal and Interest Account*").

Section 4.04. Series 2017A Capitalized Interest Account. There is established with the Trustee as part of the Bond Fund a trust account designated "City of Chicago General Obligation Bonds, Project and Refunding Series 2017A Capitalized Interest Account" (the "*Series 2017A Capitalized Interest Account*"), to hold certain proceeds of sale of the Series 2017A Bonds described in Section 4.02(a)(ii) hereof for application as authorized herein. Moneys on deposit in the Series 2017A Capitalized Interest Account shall be withdrawn by the Trustee on the Business Day prior to each of the following Interest Payment Dates and deposited into the Bond Fund for application to the payment of the interest due on the Series 2017A Bonds on each of such Interest Payment Dates in the amounts as follows:

INTEREST PAYMENT DATE	AMOUNT OF CAPITALIZED INTEREST TO BE PAID
07/01/2017	$11,754,810.85
01/01/2018	14,105,572.63
07/01/2018	14,461,459.63
01/01/2019	14,461,459.63
07/01/2019	11,849,425.00
01/01/2020	11,849,425.00

Pending the use of moneys held in the Series 2017A Capitalized Interest Account, the Trustee shall invest such moneys in Permitted Investments upon the direction of an Authorized Officer or any person designated by an Authorized Officer. Income from such investments shall be deposited into the Series 2017A Capitalized Interest Account and applied to pay capitalized interest. Any amount remaining in the Series 2017A Capitalized Interest Account on January 2, 2020, shall be withdrawn and deposited into the Series 2017A Project Fund and applied to the payment of the next interest to become due on the Bonds.

Section 4.05. Project Funds. (a) There is established with the Trustee a trust fund designated "City of Chicago General Obligation Bonds, Series 2017A Project Fund" (the "*Series 2017A Project Fund*") to be held and applied in accordance with the terms and provisions of this Indenture. Moneys deposited in the Series 2017A Project Fund pursuant to Section 4.02(a)(iv) or otherwise will be paid out from time to time by the Trustee to or upon the order of the City in order to provide for the payment or to reimburse the City for the payment of Project Costs upon receipt by the Trustee of a requisition substantially in the form attached as *Exhibit B* signed by an Authorized Officer describing the Project Costs to be paid or reimbursed with such moneys (including the identity of and method of payment for each payee) and stating that:

(i) the costs in an aggregate amount set forth in such certificate are necessary and appropriate Project Costs that (a) have been incurred and paid or (b) are expected to be paid within the next 60 days;

(ii) the amount to be paid or reimbursed to the City as set forth in such certificate is reasonable and represents a part of the amount payable for the Project Costs and that such payment is to be made or, in the case of reimbursement to the City, was made, in accordance with the terms of any applicable contracts and in accordance with usual and customary practice under existing conditions;

(iii) that no part of the Project Costs that are the subject of such certificate was included in any certificate previously filed with the Trustee under the provisions of this Indenture; and

(iv) the use of the money so withdrawn from the Series 2017A Project Fund and the use of the facilities provided with such moneys will not result in a violation of any applicable covenant, term or provision of the Tax Certificate.

(b) There is established with the Trustee a trust fund designated "City of Chicago General Obligation Bonds, Series 2017B Project Fund" (the "*Series 2017B Project Fund*" and together with the Series 2017A Project Fund, the "*Project Funds*") to be held and applied in accordance with the terms and provisions of this Indenture. Moneys deposited in the Series 2017B Project Fund pursuant to Section 4.02(b)(iii) or otherwise will be paid out from time to time by the Trustee to or upon the order of the City in order to provide for the payment or to reimburse the City for the payment of Project Costs upon receipt by the Trustee of a requisition substantially in the form attached as *Exhibit B* signed by an Authorized Officer describing the Project Costs to be paid or reimbursed with such moneys (including the identity of and method of payment for each payee) and stating that:

(i) the costs in an aggregate amount set forth in such certificate are necessary and appropriate Project Costs that (a) have been incurred and paid or (b) are expected to be paid within the next 60 days;

(ii) the amount to be paid or reimbursed to the City as set forth in such certificate is reasonable and represents a part of the amount payable for the Project Costs and that such payment is to be made or, in the case of reimbursement to the City, was made, in accordance with the terms of any applicable contracts and in accordance with usual and customary practice under existing conditions; and

(iii) that no part of the Project Costs that are the subject of such certificate was included in any certificate previously filed with the Trustee under the provisions of this Indenture.

(c) Moneys in the Project Funds shall be invested at the written direction of an Authorized Officer to the fullest extent practicable in Permitted Investments maturing in such amounts and at such times as may be necessary to provide funds when needed to pay Project Costs or such other costs as may be required to be paid from such moneys. The City may, and to the extent required for payments from the Project Funds shall, direct the Trustee in writing to sell any such Permitted Investments at any time, and the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in the applicable Project Fund. Earnings received on moneys or securities in each of the Project Funds shall be retained therein and applied to the purposes for which moneys in such Project Fund are otherwise held.

(d) The completion, substantial completion or abandonment of the Project shall be evidenced by a certificate of an Authorized Officer, which shall be filed promptly with the Trustee, stating the date of such completion, anticipated completion or abandonment of the Project and the amount, if any, required in the opinion of the signer of such certificate for the payment of any remaining part of the Project Costs. Upon the filing of such certificate, the balance in the Project Funds in excess of the amount, if any, stated in such certificate of the City as necessary to complete the Project shall be deposited into the Principal and Interest Account and applied as directed in such certificate; provided that, in the case of the Series 2017A Project Fund such direction shall be consistent with Section 4.08 and applicable provisions of the Tax Certificate.

Section 4.06. Costs of Issuance Accounts. (a) There is established with the Trustee a trust account designated "Series 2017A Costs of Issuance Account" (the "*Series 2017A Costs of Issuance Account*"). The Trustee shall deposit into the Series 2017A Costs of Issuance Account, the amount described in Section 4.02(a)(iii) of this Indenture in order to pay costs of issuance of the Series 2017A Bonds. The Trustee shall release funds, from time to time, from such account in accordance with written directions from an Authorized Officer in a Certificate. Such funds shall be held by the Trustee uninvested in cash, without liability for interest. Upon the disbursement of all amounts from the Series 2017A Costs of Issuance Account, the Trustee shall close such account without further direction.

(b) There is established with the Trustee a trust account designated "Series 2017B Costs of Issuance Account" (the "*Series 2017B Costs of Issuance Account*"). The Trustee shall deposit into the Series 2017B Costs of Issuance Account, the amount described in Section 4.02(b)(ii) of this Indenture in order to pay costs of issuance of the Series 2017B Bonds. The Trustee shall release funds, from time to time, from such account in accordance with written directions from an Authorized Officer in a Certificate. Such funds shall be held by the Trustee uninvested in cash, without liability for interest. Upon the disbursement of all amounts from the Series 2017B Costs of Issuance Account, the Trustee shall close such account without further direction.

Section 4.07. Deposits into Bond Fund and Accounts Therein. Not later than the Business Day prior to each Interest Payment Date (each such date being referred to herein as the *"Deposit Date"*) there shall be on deposit in the Principal and Interest Account (which deposit may include amounts from the Series 2017A Capitalized Interest Account as described in Section 4.04 hereof) an amount equal to the Principal and Interest Account Requirement (such amount with respect to any Deposit Date being referred to herein as the *"Deposit Requirement"*).

In addition to the Deposit Requirement, there shall be deposited into the Bond Fund any other moneys received by the Trustee under and pursuant to this Indenture, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Bond Fund and to one or more accounts therein, including any amounts received from an Escrow Trustee pursuant to the applicable Escrow Agreement upon termination thereof, which amounts shall be applied to the payment of the next interest to become due on the Bonds.

Upon calculation by the Trustee of each Deposit Requirement under this Section, the Trustee shall notify the City of the Deposit Requirement and the Deposit Date to which it relates, and shall provide the City with such supporting documentation and calculations as the City may reasonably request.

Section 4.08. Tax Covenants with respect to the Series 2017A Bonds. (a) The City covenants that it will take no action in the investment of the proceeds of the Series 2017A Bonds which would result in making the interest payable on any of such Series 2017A Bonds subject to federal income taxes by reason of such Series 2017A Bonds being classified as "arbitrage bonds" within the meaning of Section 148 of the Code.

(b) The City further covenants that it will act with respect to the proceeds of the Series 2017A Bonds, the earnings on the proceeds of the Series 2017A Bonds and any other moneys on deposit in any fund or account maintained in respect to the Series 2017A Bonds, including, if necessary, a rebate of such earnings to the United States of America, in a manner which would cause the interest on the Series 2017A Bonds to continue to be exempt from federal income taxation under Section 103(a) of the Code.

Section 4.09. Non-presentment of Bonds. If any Bond is not presented for payment when the principal thereof becomes due, whether at maturity, at the date fixed for redemption or otherwise, if moneys sufficient to pay such Bond shall have been made available to the Trustee for the benefit of the Registered Owner thereof, subject to the provisions of the immediately following paragraph, all liability of the City to the Registered Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys, without liability for interest thereon, for the benefit of the Registered Owner of such Bond who shall thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his or her part under this Indenture or on, or with respect to, such Bond.

Any moneys so deposited with and held by the Trustee not so applied to the payment of Bonds within two years after the date on which the same shall have become due shall be repaid by the Trustee to the City, and thereafter the Registered Owners of such Bonds shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid, and all liability of the Trustee with respect to such moneys shall thereupon cease, and the City shall not be liable for any interest thereon and shall not be regarded as a trustee of such moneys. The obligation of the Trustee under this Section to pay any such funds to the City shall be subject, however, to any provisions of law applicable to the Trustee or to such funds providing other requirements for disposition of unclaimed property.

Section 4.10. Moneys Held in Trust. All moneys required to be deposited with or paid to the Trustee for the account of any fund or account referred to in any provision of this Indenture shall be held by the Trustee in trust as provided in Section 8.08 of this Indenture, and shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien or security interest created hereby.

ARTICLE V

INVESTMENT OF MONEYS

Section 5.01. Investment of Moneys. Moneys held in the funds, accounts and subaccounts established hereunder shall be invested and reinvested in accordance with the provisions governing investments contained in this Indenture. All such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund, account or subaccount for which they were made.

Section 5.02. Investment Income. The interest earned on any investment of moneys held hereunder, any profit realized from such investment and any loss resulting from such investment shall be credited or charged to the fund, account or subaccount for which such investment was made.

ARTICLE VI

DISCHARGE OF LIEN

Section 6.01. Defeasance. (a) If the City shall pay to the Registered Owners of the Bonds, or provide for the payment of, the principal, premium, if any, and interest to become due on the Bonds, then this Indenture and the Bond Ordinance shall be fully discharged and satisfied with respect to the Bonds. Upon the satisfaction and discharge of this Indenture, the Trustee shall, upon the request of the City, execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and all fiduciaries shall pay over or deliver to the City all funds, accounts and other moneys or securities held by them pursuant to this Indenture which are not required for the payment or redemption of the Bonds. If payment or provision for payment is made, to or for the Registered Owners of all or a portion of the Bonds, of the principal of and interest due and to become due on any Bond at the times and in the manner stipulated therein, and there is paid or caused to be paid to the Trustee all sums of money due and to become due according to the provisions of this Indenture, then these presents and the estate and rights hereby and by the Bond Ordinance granted shall cease, terminate and be void as to those Bonds or portions thereof except for purposes of registration, transfer and exchange of Bonds and any such payment from such moneys or obligations. Any Bond shall be deemed to be paid within the meaning of this Section when payment of the principal of any such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in this Indenture or otherwise), either (a) shall have been made or caused to have been made in accordance with the terms thereof, or (b) shall have been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (1) cash sufficient to make such payment or (2) Defeasance Obligations, or (3) a combination of cash and Defeasance Obligations, such amounts and Defeasance Obligations so deposited being available or maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will insure the availability of sufficient moneys to make such payment (as confirmed by a nationally recognized firm of independent public accountants). If the City shall pay and discharge a portion of the Bonds as aforesaid, such portion shall cease to be entitled to any lien, benefit or security under this Indenture and the Bond Ordinance. The liability of the City with respect to such Bonds shall continue, but the Registered Owners thereof shall thereafter be entitled to payment (to the exclusion of all other Bondholders) only out of the cash and Defeasance Obligations deposited with the Trustee under Article VI of this Indenture.

(b) With respect to the Series 2017A Bonds, no such deposit under this Article VI shall be made or accepted hereunder and no use made of any such deposit unless the Trustee shall have received an opinion of nationally recognized municipal bond counsel to the effect that such deposit and use would not cause any of such Series 2017A Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code or any successor provision thereto.

(c) Nothing in this Indenture shall prohibit a defeasance deposit of Defeasance Obligations as provided in this section from being subject to a subsequent sale of such Defeasance Obligations and reinvestment of all or a portion of the proceeds of that sale in Defeasance Obligations which, together with money to remain so held in trust, shall be sufficient (as confirmed by a nationally recognized firm of independent public accountants) to provide for payment of principal, redemption premium, if any, and interest on any of the defeased Bonds. Amounts held by the Trustee in excess of the amounts needed so to provide for payment of the defeased Bonds may be subject to withdrawal by the City.

ARTICLE VII

DEFAULT PROVISIONS; REMEDIES

Section 7.01. Defaults. Each of the following events is hereby declared to be an "Event of Default":

(a) payment of the principal or Redemption Price, if any, of any Bonds shall not be made when and as the same shall become due, whether at maturity or upon call for redemption or otherwise;

(b) payment of any installment of interest on any Bonds shall not be made when and as the same shall become due; or

(c) the City shall fail or refuse to comply with the provisions of this Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained herein or in the Bonds, which materially affects the rights of the owners of the Bonds and such failure, refusal or default shall continue for a period of 45 days after written notice thereof by the Trustee or the owners of not less than 25 percent in principal amount of the Outstanding Bonds; *provided, however,* that in the case of any such default which can be cured by due diligence but which cannot be cured within the 45-day period, the time to cure shall be extended for such period as may be necessary to remedy the default with all diligence.

Section 7.02. Remedies. (a) Upon the happening and continuance of any Event of Default specified in paragraph (a) or (b) of Section 7.01 hereof, the Trustee shall proceed, or upon the happening and continuance of any Event of Default (beyond the time periods specified therein) specified in paragraph (c) of Section 7.01 hereof, the Trustee may proceed, and upon the written request of the owners of not less than 25 percent in principal amount of the Outstanding Bonds, shall proceed, in its own name, subject to the provisions of this Section and, in each case, when indemnified as provided in Section 8.07, to protect and enforce its rights and the rights of the owners of the Bonds by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(i) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the Bonds including the right to require the City to receive and collect taxes adequate to carry out the covenants and agreements as to such taxes and to require the City to carry out any other covenant or agreement with the owners of the Bonds and to perform its duties under this Indenture;

(ii) by bringing suit upon the Bonds;

(iii) by action or suit in equity, require the City to account as if it were the trustee of an express trust for the owners of the Bonds; and/or

(iv) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds.

(b) In the enforcement of any rights and remedies under this Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the City but only out of moneys pledged as security for the Bonds for principal, Redemption Price, interest or otherwise, under any provision of this Indenture or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds without prejudice to any other right or remedy of the Trustee or of the owners of the Bonds, and to recover and enforce a judgment or decree against the City for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available under this Indenture for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

(c) Under no circumstance may the Trustee declare the principal of or interest on any Bond to be due and payable prior to its Maturity Date following the occurrence of an Event of Default under this Indenture.

ARTICLE VIII

TRUSTEE AND PAYING AGENT

Section 8.01. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the express terms and conditions set forth herein. Except as otherwise expressly set forth in this Indenture, the Trustee assumes no duties, responsibilities or liabilities by reason of its execution of this Indenture other than as set forth in this Indenture, and this Indenture is executed and accepted by the Trustee subject to all the terms and conditions of its acceptance of the trust under this Indenture. The Trustee shall make payments to Bondholders and effect optional and mandatory redemptions when required, whether or not its fees and expenses have been fully paid.

Section 8.02. Dealing in Bonds. The Trustee, in its individual capacity, may buy, sell, own, hold and deal in any of the Bonds, and may join in any action which the Registered Owner of any Bond may be entitled to take with like effect as if it did not act in any capacity hereunder. The Trustee, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other function with the City, and may act as depositary, trustee or agent for any committee or body of the Registered Owners of Bonds secured hereby or other obligations of the City as freely as if it did not act in any capacity hereunder.

Section 8.03. Compensation of Trustee. The City shall pay to the Trustee from time to time reasonable compensation for all services rendered under this Indenture and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees incurred in and about the performance of their powers and duties under this Indenture and, except as provided in Section 8.01 hereof the Trustee shall have a lien therefor on any and all moneys at any time held by it under this Indenture. The City further agrees to indemnify and save the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, which are not due to its negligence or default.

Section 8.04. Paying Agent. The Trustee may appoint a Paying Agent with power to act on its behalf and subject to its direction (i) in the authentication, registration and delivery of Bonds in connection with transfers and exchanges hereunder, as fully to all intents and purposes as though such Paying Agent had been expressly authorized by this Indenture to authenticate, register and deliver Bonds, and (ii) for effecting purchases and sales of Bonds pursuant hereto and accepting deliveries of Bonds, making deliveries of Bonds and holding Bonds pursuant hereto. The foregoing notwithstanding, the Trustee need not appoint a Paying Agent hereunder as long as the Bonds are held in book-entry form pursuant to Section 2.11 hereof; at any time the Bonds are not held in book-entry form pursuant to Section 2.11 hereof, the Trustee shall either maintain an office in New York, New York capable of handling the duties of Paying Agent hereunder, or shall appoint a Paying Agent with an office in New York, New York hereunder. Any Paying Agent appointed pursuant to this Section shall evidence its acceptance by a certificate filed with the Trustee and the City. For all purposes of this Indenture, the authentication, registration and delivery of Bonds by or to any Paying Agent pursuant to this Section 8.04 shall be deemed to be the authentication, registration and delivery of Bonds "by or to the Trustee." Such Paying Agent shall at all times be a commercial bank or trust company having an office in New York, New York, and shall at all times be a corporation organized and doing business under the laws of the United States of America or of any state with combined capital and surplus of at least $50,000,000 and in each case authorized under such laws to exercise corporate trust powers and subject to supervision or examination by Federal or state authority. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any corporation into which such Paying Agent may be merged or converted, or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which such Paying Agent shall be a party, or any corporation succeeding to the corporate trust business of such Paying Agent, shall be a successor of such Paying Agent hereunder, if such successor corporation is otherwise eligible under this Section, without the execution or filing or any further act on the part of the parties hereto or such Paying Agent or such successor corporation.

Any Paying Agent may at any time resign by giving written notice of resignation to the Trustee and the City, and such resignation shall take effect at the appointment by the Trustee of a successor Paying Agent pursuant to the succeeding provisions of this Section and the acceptance by the successor Paying Agent of such appointment. The Trustee may at any time terminate the agency of any Paying Agent by giving written notice of termination to such Paying Agent and the City, which termination shall not take effect until the acceptance by the successor Paying Agent of such appointment. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Paying Agent shall cease to be eligible under this Section, the Trustee shall promptly appoint a successor Paying Agent, shall give written notice of such appointment to the City and shall mail notice of such appointment to all Registered Owners of Bonds.

Notwithstanding anything herein to the contrary, any Paying Agent shall be entitled to rely on information furnished to it orally or in writing by the Trustee and shall be protected hereunder in relying thereon. The Trustee agrees to pay to any Paying Agent from time to time its fees and expenses for its services, and the Trustee shall be entitled to be reimbursed for such payments pursuant to Section 8.03 hereof.

Section 8.05. Notice to Rating Agencies. The Trustee hereby agrees that if at any time (a) the City redeems any portion of the Bonds Outstanding hereunder prior to their Maturity Date, (b) the City provides for the payment of any portion of the Bonds pursuant to Section 6.01, (c) a successor Trustee is appointed, (d) any supplement to this Indenture shall become effective, or any party thereto shall waive any provision of this Indenture, or (e) any other information that a Rating Agency may reasonably request in order to maintain the ratings on the Bonds, then, in each case, the Trustee shall give notice thereof to each Rating Agency then maintaining a rating on the Bonds.

Any notice given to a Rating Agency hereunder shall be mailed by first class mail as follows:

If to Fitch:	Fitch Ratings Inc. 33 Whitehall Street New York, NY 10004
If to Kroll:	KBRA 845 Third Avenue Fourth Floor New York, NY 10022
If to S&P:	S&P Global Ratings 130 East Randolph, 36th Floor Chicago, IL 60601

Section 8.06. Qualification of Trustee. The Trustee hereunder shall be a bank, trust company or national banking association having the powers of a trust company doing business and having a corporate trust office in the City of Chicago, Illinois.

Section 8.07. Responsibilities of Trustee. (a) The recitals of fact herein and in the Bonds shall be taken as the statements of the City and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or any Supplemental Indenture or of any Bonds issued hereunder or thereunder or in respect of the security afforded by this Indenture or any Supplemental Indenture and the Trustee shall not incur any responsibility in respect thereof. The Trustee shall, however, be responsible for its representation contained in its certificate of authentication on the Bonds. The Trustee shall not be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof except to the extent such proceeds are paid to the Trustee in its capacity as Trustee, or the application of any moneys paid to the City or others in accordance with this Indenture or any Supplemental Indenture. The Trustee shall not be under any obligation or duty to perform any act that would involve it in expense or liability or to institute or defend any action or suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of paragraph (b) of this Section, the Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct or that of its agents.

(b) The Trustee, prior to the occurrence of an Event of Default and after the remedy of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and each Supplemental Indenture. In case an Event of Default has occurred and has not been remedied, the Trustee shall exercise such of the rights and powers vested in it by law, this Indenture and each Supplemental Indenture and shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. Any provision of this Indenture and any Supplemental Indenture relating to action taken or so to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this Section.

Section 8.08. Funds Held in Trust and Security Therefor. Any moneys held by the Trustee, as such, at any time pursuant to the terms of this Indenture or any Supplemental Indenture shall be and hereby are assigned, transferred and set over unto the Trustee in trust for the purposes and upon the terms and conditions of this Indenture or any Supplemental Indenture. Subject to the terms of this Indenture concerning Permitted Investments, all moneys (not including securities) held by the Trustee, as such, may be deposited by the Trustee in its banking department, or with such other banks, trust companies, or national banking associations, each having a place of business in the City of Chicago, Illinois, as may be designated by the City and approved by the Trustee. No such funds shall be deposited with any bank, trust company or national banking association, other than the Trustee, in an amount exceeding 25 percent of the amount which an officer of such bank, trust company or national banking association shall certify to the Trustee and the City as the combined capital, surplus and undivided profits of such bank, trust company or national banking association. No such funds shall be deposited or remain on deposit with any bank, trust company or national banking association in excess of the amount insured by the Federal Deposit Insurance Corporation, unless (a) such bank, trust company or national banking association shall have deposited in trust with the trust department of the Trustee or with a Federal Reserve Bank or branch or, with the written approval of the Trustee and the City, pledged to some other bank, trust company or national banking association, for the benefit of the City and the appropriate fund, account, subfund or subaccount, as collateral security for the moneys deposited, Qualified Collateral having a current market value (exclusive of accrued interest) at least equal to 110 percent of the amount of such moneys, or (b) in lieu of such collateral security as to all or any part of such moneys, there shall have been deposited in trust with the trust department of the Trustee, for the benefit of the City and the appropriate fund, account, subfund or subaccount, and remain in full force and effect as security for such moneys or part thereof, the indemnifying bond or bonds of a surety company or companies qualified as surety for deposits of funds of the United States of America and qualified to transact business in the State in a sum at least equal to the amount of such moneys or part thereof. The Trustee shall allow and credit interest on any such moneys held by it at such rate as it customarily allows upon similar moneys of similar size and under similar conditions or as required by law. Interest in respect of moneys or on securities in any fund, account, subfund or subaccount shall be credited in each case to the fund, account, subfund or subaccount in which such moneys or securities are held.

Section 8.09. Evidence on which Trustee May Act. (a) The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may or may not be counsel to the City, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including payment of moneys out of any fund or account, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Indenture upon the faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Except as otherwise expressly provided herein or therein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof or thereof by the City to the Trustee shall be sufficiently executed if executed in the name of the City by an Authorized Officer.

(b) The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that the Trustee has received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which incumbency certificate will be amended and replaced whenever a person is added or deleted from the listing. If the City elects to give the Trustee e-mail or facsimile instructions (or instructions by similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions will be deemed controlling. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation, the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Section 8.10. Permitted Acts and Functions. The Trustee may become the Owner of any Bonds, with the same rights it would have if it were not the Trustee. To the extent permitted by law, the Trustee may act as depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners of Bonds or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, whether or not any such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

Section 8.11. Resignation. The Trustee may at any time resign and be discharged of its duties and obligations created by this Indenture by giving not fewer than 60 days' written notice to the City and mailing notice thereof, to the owners of Bonds at their addresses shown on the registration books kept by the Trustee within 20 days after the giving of such written notice. Such resignation shall take effect upon the appointment and acceptance of appointment of a successor by the City or the Owners of Bonds as herein provided.

Section 8.12. Removal. The Trustee may be removed at any time by the Owners of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the City, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Owners of Bonds or by their attorneys duly authorized in writing and delivered to the City. Copies of each such instrument shall be delivered by the City to the Trustee and any successor. The City may remove the Trustee at any time, except during the existence of an Event of Default, for such cause (or upon 30 days' notice for any reason) as shall be determined in the sole discretion of the City by filing with the Trustee an instrument signed by an Authorized Officer and by mailing notice thereof to the Owners of Bonds at their addresses shown on the registration books kept by the Trustee. Any removal of the Trustee shall take effect upon the appointment and acceptance of appointment of a successor Trustee.

Section 8.13. Appointment of Successor. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the City, by an instrument or concurrent instruments in writing signed by such Owners or their attorneys duly authorized in writing and delivered to such successor Trustee, notification thereof being given to the City and the predecessor Trustee. Pending such appointment, the City shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee (if any) shall be appointed by the Owners of Bonds as herein authorized. The City shall mail notice to Owners of Bonds of any such appointment within 20 days after such appointment. Any successor Trustee appointed by the City shall, immediately and without further act, be superseded by a Trustee appointed by the Owners of Bonds. If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within 45 days after the Trustee shall have given to the City written notice of resignation as provided in Section 8.11 hereof or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Owner of Bonds may apply to any court of competent jurisdiction to appoint a successor. Said court may thereupon, after such notice, if any, as said court may deem proper and prescribe, appoint such successor Trustee. Any Trustee appointed under the provisions of this Section shall be a bank, trust company or national banking association, in any such case having corporate trust powers, doing business and having a corporate trust office in the City.

Section 8.14. Transfer of Rights and Property to Successor. Any successor Trustee appointed under this Indenture shall execute, acknowledge and deliver to its predecessor Trustee, and also to the City, a written instrument of acceptance respecting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the request of the City, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the City be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the City.

Section 8.15. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the

Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank, trust company or national banking association which is qualified to be a successor to the Trustee under Section 8.13 hereof and shall be authorized by law to perform all the duties imposed upon it by this Indenture, shall be the successor to the Trustee without the execution or filing of any paper or the performance of any further act.

Section 8.16. Adoption of Authentication. In case any of the Bonds contemplated to be issued under this Indenture shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated, and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in the Bonds or in this Indenture *provided* that the certificate of the Trustee shall have.

Section 8.17. Evidence of Signatures of Owners and Ownership of Bonds. (a) Any request, consent or other instrument which this Indenture may require or permit to be signed and executed by the Owners of Bonds may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the ownership by any person of the Bonds, shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(1) The fact and date of the execution by any Owner or his or attorney of such instrument may be proved by the certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Trustee or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the jurisdiction in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

(2) The authority of the person or persons executing any such instrument on behalf of a corporate Owner of Bonds may be established without further proof if such instrument is signed by a person purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

(b) The ownership of Bonds and the amount, numbers and other identification, and date of ownership of the same shall be proved by the Bond Register. Any request, consent or vote of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Trustee in accordance therewith.

Section 8.18. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City and any Owner of Bonds and their agents and their representatives, any of whom may make copies thereof.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.01. Supplemental Indentures Effective Upon Execution by the Trustee. For any one or more of the following purposes and the purposes enumerated in Section 9.04 hereof, and at any time or from time to time, a Supplemental Indenture may be authorized by an ordinance adopted by the City Council of the City, which, upon the filing with the Trustee of a copy of such ordinance certified by the City Clerk and the execution and delivery of such Supplemental Indenture by the City and the Trustee, shall be fully effective in accordance with its terms and not subject to consent by the Registered Owners of the Bonds:

(a) to add to the covenants and agreements of the City in this Indenture other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(b) to add to the limitations and restrictions in this Indenture other limitations and restrictions to be observed by the City which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(c) to surrender any right, power or privilege reserved to or conferred upon the City by the terms of this Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the City contained in this Indenture;

(d) to confirm, as further assurance, the pledge herein, and the subjection of, additional properties, taxes or other collateral to any lien, claim or pledge created or to be created by, this Indenture;

(e) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Indenture;

(f) to insert such provisions clarifying matters or questions arising under this Indenture as are necessary or desirable and are not contrary to or inconsistent with this Indenture as theretofore in effect; or

(g) to provide additional duties of the Trustee under this Indenture.

Section 9.02. Supplemental Indentures Effective With Consent of Owners of Bonds. At any time or from time to time, a Supplemental Indenture may be authorized by an ordinance adopted by the City Council of the City, subject to consent by the Owners of Bonds in accordance with and subject to the provisions of this Article, which Supplemental Indenture, upon the filing with the Trustee of a copy of such ordinance certified by the City Clerk, upon compliance with the provisions of this Article, and upon execution and delivery of such

Supplemental Indenture by the City and the Trustee, shall become fully effective in accordance with its terms.

Section 9.03. General Provisions. (a) This Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article. Nothing in this Article shall affect or limit the right or obligation of the City to adopt, make, do, execute, acknowledge or deliver any ordinance, resolution, act or other instrument pursuant to the provisions of this Article or the right or obligation of the City to execute and deliver to the Trustee any instrument which elsewhere in this Indenture it is provided shall be delivered to the Trustee.

(b) Any ordinance authorizing a Supplemental Indenture referred to and permitted or authorized by Section 9.01 or 9.04 hereof may be adopted by the City Council of the City without the consent of any of the Owners of Bonds, but such Supplemental Indenture shall be executed and delivered by the City and the Trustee and shall become effective only on the conditions, to the extent and at the time provided in this Article. Every Supplemental Indenture delivered to the Trustee for execution shall be accompanied by an opinion of counsel stating that such Supplemental Indenture has been duly and lawfully authorized by the City Council of the City and executed by the City in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture, and will, when executed and delivered by the Trustee, be valid and binding upon the City and enforceable in accordance with its terms.

(c) The Trustee is hereby authorized to enter into, execute and deliver any Supplemental Indenture referred to and permitted or authorized by this Article and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel that such Supplemental Indenture is authorized or permitted by the provisions of this Indenture.

(d) No Supplemental Indenture shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

(e) No Supplemental Indenture shall take effect unless and until there has been delivered to the Trustee an Opinion of Bond Counsel to the effect that such Supplemental Indenture does not adversely affect the exclusion from gross income for federal income tax purposes to which interest on the Series 2017A Bonds would otherwise be entitled.

Section 9.04. Additional Matters. Additionally, this Indenture may, without the consent of, or notice to, any of the Bondholders, be supplemented and amended, in such manner as shall not be inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

(a) to provide for certificated Bonds; and

(b) to secure or maintain ratings from any Rating Agency in the highest long term debt rating category, of such Rating Agency which are available for the Bonds, which changes will not restrict, limit or reduce the obligation of the City to pay the principal of, premium, if any, and interest on the Bonds as provided in this Indenture or otherwise adversely affect the Registered Owners of the Bonds under this Indenture.

Section 9.05. Mailing of Notice of Amendment. Any provision in this Article for the mailing of a notice or other paper to owners of Bonds shall be fully complied with if it is mailed postage prepaid only (i) to each Registered Owner of then Outstanding Bonds at his address, if any, appearing upon the registration books maintained by the City at the Designated Corporate Trust Office of the Trustee, and (ii) to the Trustee.

Section 9.06. Powers of Amendment. Any modification or amendment of this Indenture or of the rights and obligations of the City and of the Owners of the Bonds, in particular, which requires the consent of the Bondholders, may be made by a Supplemental Indenture, with the written consent given as provided in Section 9.07, (a) of the Owners of a majority in principal amount of the Bonds Outstanding at the time such consent is given, or (b) in case less than all of the then Outstanding Bonds are affected by the modification or amendment, of the Owners of a majority in principal amount of the then Outstanding Bonds so affected. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or a reduction in the principal amount or the applicable Redemption Price thereof or in the rate of interest thereon, or in terms of purchase or the purchase price thereof, without the consent of the owner of such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of this Section, a Bond shall be deemed to be affected by a modification or amendment of this Indenture if the same adversely affects or diminishes the rights of the owners of such Bond.

Section 9.07. Consent of Owners of Bonds. (a) The City may at any time authorize a Supplemental Indenture making a modification or amendment permitted by the provisions of Section 9.06, to take effect when and as provided in this Section. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to the Owners of the Bonds for their consent thereto in form satisfactory to the Trustee, shall be mailed by the City to the Owners of the Bonds (but failure to mail such copy and request shall not affect the validity of the Supplemental Indenture when consented to as in this Section provided). Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when, (i) there shall have been filed with the Trustee (1) the written consents of Owners of the percentages of Outstanding Bonds specified in Section 9.06 and (2) an opinion of counsel stating that such Supplemental Indenture has been duly and lawfully executed and delivered by the City and the Trustee in accordance with the provisions of this Indenture, is authorized or permitted hereby and is valid and binding upon the City and enforceable in accordance with its terms upon its becoming effective as in this Section provided, and (ii) a notice shall have been mailed as hereinafter in this Section provided.

(b) The consent of an Owner of Bonds to any modification or amendment shall be effective only if accompanied by proof of the Ownership, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 8.17. A certificate or certificates signed by the Trustee that it has examined such proof and that such proof is sufficient in accordance with Section 8.17 shall be conclusive that the consents have been given by the Owners of the Bonds described in such certificate or certificates. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof) unless such consent is revoked in writing by the Owner of such Bonds giving such consent or a subsequent Owner thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter provided for in this Section is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with the Trustee.

(c) At any time after the Owners of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the City a written statement that the Owners of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture entered into by the City and the Trustee as of a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of Bonds and will be effective as provided in this Section, shall be given to Owners by the Trustee by mailing such notice to the Owners of the Bonds (but failure to mail such notice shall not prevent such Supplemental Indenture from becoming effective and binding as provided in this Section). The Trustee shall file with the City proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the Trustee and the Owners of all Bonds at the expiration of 40 days after the filing with the Trustee of proof of the mailing of such last mentioned notice, except if a final decree of a court of competent jurisdiction is entered setting aside such Supplemental Indenture in a legal action or equitable proceeding for such purpose commenced within such 40-day period; except that the Trustee and the City, during such 40-day period and any such further period during which any such action or proceeding may be pending, shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture as they may deem expedient.

Section 9.08. Modifications by Unanimous Consent. The terms and provisions of this Indenture and the rights and obligations of the City and of the Owners of the Bonds hereunder may be modified or amended in any respect upon the consent of the Owners of all the then Outstanding Bonds to the execution and delivery of such Supplemental Indenture, such consent to be given as provided in Section 9.07 except that no notice to the Owners of the Bonds shall be required; but no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

Section 9.09. Exclusion of Bonds. Bonds owned by or for the account of the City shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and the City shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the City shall furnish the Trustee with a Certificate upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 9.10. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in this Article provided may, and, if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the City and the Trustee as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of such Owner's Bond for that purpose at the Designated Corporate Trust Office of the Trustee or upon any exchange or registration of transfer of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such exchange or registration of transfer by the Trustee as to any such action. If the City or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the City to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Owner of any Bond then Outstanding shall be exchanged, without cost to such Owner, for Bonds of the same series and maturity upon surrender of such Bond.

ARTICLE X

MISCELLANEOUS

Section 10.01. Severability. If any provision of this Indenture shall be held or deemed to be, or shall in fact be, illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 10.02. Payments Due on Saturdays, Sundays and Holidays. If the date for making any payment, or the last date for the performance of any act or the exercise of any right, as provided in this Indenture, shall not be a Business Day, such payment may be made, act performed or right exercised on the next Business Day with the same force and effect as if done on the nominal date provided in this Indenture, and no interest shall accrue for the period after such nominal date.

Section 10.03. Notices. Any notice, demand, direction, request or other instruments authorized or required by this Indenture to be given to, delivered to or filed with the City or the Trustee shall be deemed to have been sufficiently given, delivered or filed for all purposes of the Indenture if and when sent by registered mail, postage prepaid, return-receipt requested:

To the City, if addressed to:

City of Chicago
Office of the Chief Financial Officer
121 North LaSalle Street, 7th Floor
Chicago, Illinois 60602
Attention: Chief Financial Officer
Telephone: (312) 744 2204

or at such other address as may be designated in writing by the City to the Trustee; and

To the Trustee, if addressed to:

For notices and communications:

Zions Bank, a division of ZB, National Association
111 West Washington Street, Suite 1860

Chicago, Illinois 60602
Attention: Daryl Pomykala
Telephone: (312) 763-4256
E-mail: Daryl.Pomykala@zionsbank.com

For delivery of Bonds:

Zions Bank, a division of ZB, National Association
Corporate Trust Services
One South Main – Suite 1200
Salt Lake City, UT 84133
Telephone: (888) 416-5176

or, in each case, at such other address as may be designated in writing by the Trustee to the City.

Section 10.04. Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.05. Rules of Interpretation. Unless expressly indicated otherwise, references to Sections or Articles are to be construed as references to Sections or Articles of this instrument as originally executed. Use of the words "herein," "hereby," "hereunder," "hereof, "hereinbefore," "hereinafter" and other equivalent words refer to this Indenture and not solely to the particular portion in which any such word is used. If any conflict between the provisions of this Indenture and the Bond Ordinance (including in the forms of Bonds attached hereto as *Exhibits A-1* and *A-2*) exists, the terms of this Indenture shall be deemed to control.

Section 10.06. Captions. The captions and headings in this Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Indenture.

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, the City has caused these presents to be executed in its name and with its official seal hereunto affixed and attested by its duly authorized officials; and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be executed in its corporate name and with its corporate seal hereunto affixed and attested by its duly authorized officers, on the date first above written.

CITY OF CHICAGO

By: Carole Brown

Carole L. Brown
Chief Financial Officer

[SEAL]

Attest:

By: Andrea M. Valencia

Andrea M. Valencia
City Clerk

ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION, as Trustee

By: ______________________________

Name: Robert Demos

Authorized Signatory

EXHIBIT A-1

FORM OF SERIES 2017A-1 BOND

REGISTERED
No. _______ $_______________

UNITED STATES OF AMERICA

STATE OF ILLINOIS

CITY OF CHICAGO

GENERAL OBLIGATION BOND
PROJECT AND REFUNDING SERIES 2017A

See Reverse Side for Additional Provisions

Interest Rate: ____%	Maturity Date: January 1, 20__	Dated Date: February 1, 2017	CUSIP: ______

Registered Owner:

Principal Amount:

The City of Chicago (the "*City*") hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, the Principal Amount identified above and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on such Principal Amount from the later of the date of this Bond or the most recent interest payment date to which interest has been paid at the Interest Rate per annum set forth above on January 1 and July 1 of each year commencing July 1, 2017, until said Principal Amount is paid. Principal of this Bond and redemption premium, if any, shall be payable in lawful money of the United States of America upon presentation and surrender at the designated corporate trust office of Zions Bank, a division of ZB, National Association, Chicago, Illinois, as bond trustee, bond registrar and paying agent (the "*Trustee*"). Payment of the installments of interest shall be made to the Registered Owner hereof as shown on the registration books of the City maintained by the Trustee at the close of business on the 15th day of the month next preceding each interest payment date and shall be paid by check or draft of the Trustee mailed to the address of such Registered Owner as it appears on such registration books or at such other address furnished in writing by such Registered Owner to the Trustee or, at the option of any Registered Owner of $1,000,000 or more in aggregate principal amount of the Bonds, by wire transfer of immediately available funds to such bank in the continental United States of America as the Registered Owner hereof shall request in writing to the Trustee.

Reference is made to the further provisions of this Bond set forth on the reverse hereof and such further provisions shall for all purposes have the same effect as if set forth at this place.

It is certified and recited that all conditions, acts and things required by law to exist or to be done precedent to and in the issuance of this Bond did exist, have happened, and have been done and performed in regular and due form and time as required by law; that the indebtedness of the City, including the issue of Bonds of which this is one, does not exceed any limitation imposed by law; and that provision has been made for the collection of a direct annual tax sufficient to pay the interest hereon as it falls due and also to pay and discharge the principal hereof at maturity.

This Bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, the City of Chicago has caused the seal of the City or a facsimile thereof to be affixed hereto or printed hereon and this Bond to be signed by the duly authorized manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk, all as of the Dated Date identified above.

____
Mayor
City of Chicago

Attest:

____
City Clerk
City of Chicago

[SEAL]

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Bond Ordinance and is one of the General Obligation Bonds, Project and Refunding Series 2017A, of the City of Chicago.

Date of Authentication: February ___, 2017

ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION

By:_______(Manual Signature)________
Authorized Officer

[Form of Series 2017A Bond — Reverse Side]

CITY OF CHICAGO
GENERAL OBLIGATION BOND
PROJECT AND REFUNDING SERIES 2017A

For the prompt payment of this Bond, both principal and interest, as aforesaid, as the same become due, and for the levy of taxes sufficient for that purpose, the full faith, credit and resources of the City irrevocably pledged.

This Bond is one of a series of Bonds aggregating the principal amount of $886,000,000 issued pursuant to the constitutional home rule powers of the City for the purposes of (i) paying or reimbursing the City for its prior payment of a portion of the costs of the Project (as defined in the Bond Ordinance described below); (ii) paying costs of the Refunding Purposes (as defined in the Bond Ordinance), (iii) funding capitalized interest on certain of the Bonds; and (iv) paying costs of issuance of the Bonds, and was authorized by an Ordinance adopted by the City Council of the City on October 5, 2016 (the "*Bond Ordinance*").

The Bonds are redeemable prior to maturity at the option of the City, in whole or in part on any date on or after January 1, 2027, and if less than all of the outstanding Bonds are to be redeemed, the Bonds to be called shall be called from such maturities as shall be determined by the City and in the manner provided in the Indenture, at a Redemption Price of 100% of the principal amount thereof plus accrued interest to the date of redemption.

The Bonds maturing on January 1, 2038 are subject to mandatory redemption prior to maturity on January 1 of the years 2035 to 2037, inclusive, in the amounts for each year specified in the Indenture, at a Redemption Price of 100% of the principal amount thereof plus accrued interest to the date of redemption.

If less than all the Bonds of like maturity and interest rate are to be redeemed, the aggregate principal amount thereof to be redeemed shall be $5,000 or an integral multiple thereof, and the Trustee shall assign to each Bond of such maturity and interest rate a distinctive number for each $5,000 principal amount of such Bond and shall select by lot from the numbers so assigned as many numbers as, at $5,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; *provided* that only so much of the principal amount of each Bond shall be redeemed as shall equal $5,000 for each number assigned to it and so selected.

Notice of any such redemption shall be sent by first class mail not less than 30 days nor more than 60 days prior to the date fixed for redemption to the Registered Owner of each Bond to be redeemed at the address shown on the registration books of the City maintained by the Trustee or at such other address as is furnished in writing by such Registered Owner to the Trustee; *provided* that the failure to mail any such notice or any defect therein as to any Bond shall not affect the validity of the proceedings for the redemption of any other Bond. When so called for redemption, this Bond shall cease to bear interest on the specified redemption date, *provided* that funds for redemption are on deposit at the place of payment at that time, and shall not be deemed to be outstanding.

This Bond is transferable by the Registered Owner hereof in person or by its attorney duly authorized in writing at the designated corporate trust office of the Trustee in Chicago, Illinois, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds of authorized denominations, of the same interest rate, series and maturity and for the same aggregate principal amount will be issued to the transferee in exchange therefor. The Trustee shall not be required to transfer or exchange this Bond (A) after notice calling this Bond for redemption has been mailed, or (B) during a period of 15 days next preceding mailing of a notice of redemption of this Bond.

The Bonds are issued in fully registered form in the denomination of $5,000 each or authorized integral multiples thereof. This Bond may be exchanged at the designated corporate trust office of the Trustee for a like aggregate principal amount of Bonds of the same interest rate, series and maturity of other authorized denominations, upon the terms set forth in the Indenture.

The City and the Trustee may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and redemption premium, if any, and for all other purposes and neither the City nor the Trustee shall be affected by any notice to the contrary.

(ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto ____________

____

(Name and Address of Assignee)

the within Bond and irrevocably constitutes and appoints ______________________________

____

attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: ______________________________

Signature guaranteed: ____________________________________

NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

EXHIBIT A-2

FORM OF SERIES 2017B BOND

REGISTERED
No. ________ $______________

UNITED STATES OF AMERICA

STATE OF ILLINOIS

CITY OF CHICAGO

GENERAL OBLIGATION BOND
TAXABLE PROJECT SERIES 2017B

See Reverse Side for
Additional Provisions

Interest Rate: ____%	Maturity Date: January 1, 20__	Dated Date: February 1, 2017	CUSIP: ______

Registered Owner:

Principal Amount:

The City of Chicago (the "*City*") hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, the Principal Amount identified above and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on such Principal Amount from the later of the date of this Bond or the most recent interest payment date to which interest has been paid at the Interest Rate per annum set forth above on January 1 and July 1 of each year commencing July 1, 2017, until said Principal Amount is paid. Principal of this Bond and redemption premium, if any, shall be payable in lawful money of the United States of America upon presentation and surrender at the designated corporate trust office of Zions Bank, a division of ZB, National Association, Chicago, Illinois, as bond trustee, bond registrar and paying agent (the "*Trustee*"). Payment of the installments of interest shall be made to the Registered Owner hereof as shown on the registration books of the City maintained by the Trustee at the close of business on the 15th day of the month next preceding each interest payment date and shall be paid by check or draft of the Trustee mailed to the address of such Registered Owner as it appears on such registration books or at such other address furnished in writing by such Registered Owner to the Trustee or, at the option of any Registered Owner of $1,000,000 or more in aggregate principal amount of the Bonds, by wire transfer of immediately available funds to such bank in the continental United States of America as the Registered Owner hereof shall request in writing to the Trustee.

Reference is made to the further provisions of this Bond set forth on the reverse hereof and such further provisions shall for all purposes have the same effect as if set forth at this place.

It is certified and recited that all conditions, acts and things required by law to exist or to be done precedent to and in the issuance of this Bond did exist, have happened, and have been done and performed in regular and due form and time as required by law; that the indebtedness of the City, including the issue of Bonds of which this is one, does not exceed any limitation imposed by law; and that provision has been made for the collection of a direct annual tax sufficient to pay the interest hereon as it falls due and also to pay and discharge the principal hereof at maturity.

This Bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, the City of Chicago has caused the seal of the City or a facsimile thereof to be affixed hereto or printed hereon and this Bond to be signed by the duly authorized manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk, all as of the Dated Date identified above.

____
Mayor
City of Chicago

Attest:

____
City Clerk
City of Chicago

[SEAL]

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Bond Ordinance and is one of the General Obligation Bonds, Taxable Project Series 2017B, of the City of Chicago.

Date of Authentication: February ___, 2017

ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION

By: (Manual Signature)
Authorized Officer

[Form of Series 2017B Bond — Reverse Side]

CITY OF CHICAGO
GENERAL OBLIGATION BOND
TAXABLE PROJECT SERIES 2017B

For the prompt payment of this Bond, both principal and interest, as aforesaid, as the same become due, and for the levy of taxes sufficient for that purpose, the full faith, credit and resources of the City irrevocably pledged.

This Bond is one of a series of Bonds aggregating the principal amount of $274,260,000 issued pursuant to the constitutional home rule powers of the City for the purposes of (i) paying or reimbursing the City for its prior payment of a portion of the costs of the Project (as defined in the Bond Ordinance described below) and (ii) paying costs of issuance of the Bonds, and was authorized by an Ordinance adopted by the City Council of the City on October 5, 2016 (the "*Bond Ordinance*").

The Bonds are subject to optional redemption in whole or in part, on any Business Day, in such principal amounts as the City shall determine, at a Redemption Price equal to the Make-Whole Redemption Price applicable thereto, as provided in the Indenture.

The Bonds are subject to mandatory redemption prior to maturity on January 1 of the years 2021 to 2028, inclusive, at a Redemption Price of 100% of the principal amount thereof and accrued interest to the date of redemption.

If less than all the Bonds of like maturity and interest rate are to be redeemed, the aggregate principal amount thereof to be redeemed shall be $5,000 or an integral multiple thereof, and the Trustee shall assign to each Bond of such maturity and interest rate a distinctive number for each $5,000 principal amount of such Bond and shall select by lot from the numbers so assigned as many numbers as, at $5,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; *provided* that only so much of the principal amount of each Bond shall be redeemed as shall equal $5,000 for each number assigned to it and so selected.

Notice of any such redemption shall be sent by first class mail not less than 30 days nor more than 60 days prior to the date fixed for redemption to the Registered Owner of each Bond to be redeemed at the address shown on the registration books of the City maintained by the Trustee or at such other address as is furnished in writing by such Registered Owner to the Trustee; *provided* that the failure to mail any such notice or any defect therein as to any Bond shall not affect the validity of the proceedings for the redemption of any other Bond. When so called for redemption, this Bond shall cease to bear interest on the specified redemption date, *provided* that funds for redemption are on deposit at the place of payment at that time, and shall not be deemed to be outstanding.

This Bond is transferable by the Registered Owner hereof in person or by its attorney duly authorized in writing at the designated corporate trust office of the Trustee in Chicago, Illinois, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds of authorized denominations, of the same interest rate, series and maturity and for the same aggregate principal amount will be issued to the transferee in exchange therefor. The Trustee shall not be required to transfer or exchange this Bond (A) after notice calling this Bond for redemption has been mailed, or (B) during a period of 15 days next preceding mailing of a notice of redemption of this Bond.

The Bonds are issued in fully registered form in the denomination of $5,000 each or authorized integral multiples thereof. This Bond may be exchanged at the designated corporate trust office of the Trustee for a like aggregate principal amount of Bonds of the same interest rate, series and maturity of other authorized denominations, upon the terms set forth in the Indenture.

The City and the Trustee may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and redemption premium, if any, and for all other purposes and neither the City nor the Trustee shall be affected by any notice to the contrary.

(ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto ____________

____

(Name and Address of Assignee)

the within Bond and irrevocably constitutes and appoints ________________________________

____

attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: ______________________________

Signature guaranteed: ____________________________________

NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

EXHIBIT B

FORM OF PROJECT FUND REQUISITION

To: Zions Bank, a Division of ZB, National Association

Re: [City of Chicago General Obligation Bonds, Project and Refunding Series 2017A]
[City of Chicago General Obligation Bonds, Taxable Project Series 2017B]

Requisition No. ____________

Date: ______________________

Ladies and Gentlemen:

You are requested to disburse funds from the [City of Chicago General Obligation Bonds, Series 2017A Project Fund/City of Chicago General Obligation Bonds, Series 2017B Project Fund] pursuant to Section 4.05 of the Indenture (defined below) in the amount(s), to the person(s) and for the purpose(s) set forth on Exhibit A to this requisition (this "Requisition"). The terms used in this Requisition shall have the meanings given to those terms in the Trust Indenture (the "Indenture"), dated as of February 1, 2017, by and between the City of Chicago and Zions Bank, a division of ZB, National Association, as Trustee, securing the above referenced series of Bonds.

The undersigned certifies that:

(i) the costs in an aggregate amount set forth in this Requisition are necessary and appropriate Project Costs that (a) have been incurred and paid or (b) are expected to be paid within the next 60 days;

(ii) The amount to be paid or reimbursed to the City as set forth in this Requisition is reasonable and represents a part of the amount payable for the Project Costs and such payment is to be made or, in the case of reimbursement to the City, was made, in accordance with the terms of any applicable contracts and in accordance with usual and customary practice under existing conditions; [and]

(iii) no part of the Project Costs that are the subject of this Requisition was included in any requisition previously filed with the Trustee under the provisions of this Indenture[.] [; and]

(iv) [*For Series 2017A Bonds only*] [the use of the money so withdrawn from the Series 2017A Project Fund and the use of the facilities provided with such moneys will not result in a violation of any applicable covenant, term or provision of the Tax Certificate.]

This Requisition is executed and delivered as of the date first set forth above.

CITY OF CHICAGO

By: ________________________________
Name: ______________________________
Title: _______________________________

[Signature Page to Requisition]

Exhibit A

Amount	Payee and Address	Description/Purposes

EXHIBIT C

REFUNDED BONDS AND INTEREST-ONLY BONDS

Refunded Bonds

General Obligation Bonds, Project and Refunding Series 2001A
General Obligation Refunding Bonds, Series 2005A
General Obligation Bonds, Project and Refunding, Series 2005B
General Obligation Bonds, Project and Refunding, Series 2006A
General Obligation Bonds, Project and Refunding, Series 2007A
General Obligation Bonds, Refunding Series 2008A

Interest Only Bonds

General Obligation Bonds (Neighborhoods Alive 21 Program) 2002B
General Obligation, Project and Refunding Series 2003B
General Obligation Bonds, Project and Refunding, Series 2005D
General Obligation Bonds, Refunding Series 2007E
General Obligation Bonds, Refunding Series 2007F
General Obligation Bonds, Refunding Series 2007G
General Obligation Bonds, Project and Refunding Series 2008C
General Obligation Bonds, Taxable Project Series 2009C
(Build America Bonds – Direct Payment)
General Obligation Bonds, Taxable Project Series 2009D
(Recovery Zone Economic Development Bonds – Direct Payment)
General Obligation Bonds, Taxable Series 2010B (Build America Bonds – Direct Payment)
General Obligation Bonds, Project Series 2011A
General Obligation Bonds, Project Series 2012A
General Obligation Bonds, Refunding Series 2012C
General Obligation Bonds, Project and Refunding Series 2014A
General Obligation Bonds, Series 2015A

EXHIBIT D

CLOSING MEMORANDUM

[Attached]

CH2\18735654 6

Closing Memorandum

Date: January 31. 2017

To: City of Chicago General Obligation Bonds Working Group

From: Goldman, Sachs & Co.

Subject: **Closing Instructions For:**

$1,160,260,000
City of Chicago
General Obligation Bonds
$886,000,000 Project and Refunding Series 2017A
$274,260,000 Taxable Project Series 2017B

Schedule of Events

Pre-Closing Meeting: 1:00 PM CT on January 31, 2017	Schiff Hardin LLP 233 South Wacker Drive Suite 6600 (66th Floor) Chicago, IL 60606
Closing Call: 9:00 AM CT (Following City and Trustee confirmation of received wired funds) February 1, 2017	Dial in: (212) 902-7859 Passcode: 940607486

Maturity Structure

$886,000,000 Project and Refunding Series 2017A

Due Jan 1	Principal	Sinking Fund	Interest Rate	Yield	CUSIP Number (167486)
2029	$ 20,980,000		5.625 %	5.800 %	ZT9
2030	41,565,000		5.625	5.880	ZU6
2031	43,655,000		5 625	5.960	ZV4
2033	32,690,000		5.750	6.080	ZW2
2034	34,120,000		5.750	6.140	ZX0
2035		$ 35,605,000			
2036		224,380,000			
2037		308,450,000			
2038	712,990,000	144,555,000	6.000	6 200	ZY8

$274,260,000 Taxable Project Series 2017B

Due Jan 1	Principal	Sinking Fund	Interest Rate	Yield	CUSIP Number (167486)
2021		$ 38,320,000			
2022		32,540,000			
2023		25,895,000			
2024		27,710,000			
2025		29,615,000			
2026		31,725,000			
2027		34,030,000			
2028		36,460,000			
2029	$ 274,260,000	17,965,000	7.045 %	7.045 %	ZZ5

Responsibilities of the Underwriter & City of Chicago

On February 1, 2017, once all bond documents have been finalized, **Goldman, Sachs & Co. ("Goldman Sachs")** will make Federal Funds wire transfers totalling **$1,131,142,442.93** to the Trustee and Escrow Trustees, which represents the aggregate purchase price of the Series 2017A and Series 2017B Bonds:

	Series 2017A	Series 2017B	Total
Par Amount	$886,000,000.00	$274,260,000.00	$1,160,260,000 00
- Original Issue Discount	(21,756,221.00)		(21,756,221.00)
- Underwriter's Discount	(5,621,277.78)	(1,740,058 29)	(7,361,336.07)
Purchase Price	**$858,622,501.22**	**$272,519,941.71**	**$1,131,142,442.93**

In addition, on or before February 1, 2017, the **City of Chicago (the "City")** will make Federal Funds wire transfers totaling **$77,545,341.36**, which represents monies associated with the Fund 510 Integrated and Fund 510 Supplemental contributions by the City.

Summary of Wires:

Below reflects the wiring instructions related to all payments to be made by Goldman Sachs and the City to the Trustee (Zions Bank) and all Escrow Trustees (Zions Bank, Amalgamated Bank of Chicago, Bank of New York Mellon and US Bank). Please refer to Exhibit A for a breakdown of escrow costs by refunded series.

	Goldman Sachs Wires	Amount
1	Zions Bank (#1)	$725,001,157.06
2	Amalgamated Bank of Chicago	185,574,636.57
3	Bank of New York Mellon	51,874,184.56
4	Zions Bank (#2)	95,847,839.55
5	US Bank	72,844,625 19
	Total	$1,131,142,442.93

	City of Chicago Wires	Amount
6	Amalgamated Bank of Chicago	$24,644,260 28
7	Bank of New York Mellon	7,115,593.64
8	Zions Bank	15,752,753 23
9	US Bank	30,032,734.21
	Total	$77,545,341.36

Goldman Sachs Wires

1. Wiring of Funds from Goldman Sachs to Zions Bank #1 (Trustee and Escrow Trustee)

One (1) wire of $725,001,157.06 will be sent to **Zions Bank** by **Goldman Sachs** payable immediately via Federal Funds, including $452,481,215.35 from the proceeds of Series 2017A and $272,519,941.71 from the proceeds of Series 2017B. The funds will be used for the following purposes:

- **(a)** $77,206,210.29 to the Series 2017A Capitalized Interest Account
- **(b)** $1,454,823.68 to the Series 2017A Costs of Issuance Account
- **(c)** $318,273,769.00 to the Series 2017A Project Fund
- **(d)** $55,546,412.38 to Zions as Escrow Trustee from the proceeds of Series 2017A
- **(e)** $452,497.21 to the Series 2017B Costs of Issuance Account
- **(f)** $272,067,444.50 to the Series 2017B Project Fund.

Goldman Sachs Wire Transfer to Zions Bank in the Amount of $725,001,157.06	Bank	Zions Bank
	ABA #	124000054
	Acct #	080000680
	Acct Name	Zions Trust Department
	ATTN	Daryl Pomykala (312) 763-4256

2. **Wiring of Funds from Goldman Sachs to Amalgamated Bank of Chicago (Escrow Trustee)**

   One (1) wire of $185,574,636.57 will be sent to the **Amalgamated Bank of Chicago** by **Goldman Sachs** payable in immediately via Federal Funds.

Goldman Sachs Wire Transfer to Amalgamated Bank of Chicago in the Amount of $185,574,636.57	Bank	Amalgamated Bank of Chicago
	ABA #	071003405
	Acct #	150002305
	Acct Name	City of Chicago G.O. 2017 Escrow Trust #1856379007
	ATTN	Pamela Sumerall (312) 822-8545

3. **Wiring of Funds from Goldman Sachs to Bank of New York Mellon (Escrow Trustee)**

   One (1) wire of $51,874,184.56 will be sent to the **Bank of New York Mellon** by **Goldman Sachs** payable in immediately via Federal Funds.

Goldman Sachs Wire Transfer to Bank of New York Mellon in the Amount of $51,874,184.56	Bank	Bank of New York Mellon
	ABA #	021000018
	Acct #	2472098400
	Acct Name	Midwest Muni-2005B and 2005D Escrows
	ATTN	Eduardo Rodriguez (312) 827-8612

4. **Wiring of Funds from Goldman Sachs to Zions Bank #2 (Escrow Trustee)**

   One (1) wire of $95,847,839.55 will be sent to **Zions Bank** by **Goldman Sachs** payable in immediately via Federal Funds.

Goldman Sachs Wire Transfer to Zions Bank in the Amount of $95,847,839.55	Bank	Zions Bank
	ABA #	124000054
	Acct #	080000680
	Acct Name	Zions Trust Department
	ATTN	Daryl Pomykala (312) 763-4256

5. **Wiring of Funds from Goldman Sachs to US Bank (Escrow Trustee)**

   One (1) wire of $72,844,625.19 will be sent to **US Bank** by **Goldman Sachs** payable via Federal Funds.

Goldman Sachs Wire Transfer to US Bank in the Amount of $72,844,625.19	Bank	US Bank
	ABA #	091000022
	Acct #	180121167365
	Acct Name	US Bank CT Wire Clearing / City of Chicago
	ATTN	Patricia Trlak (312) 332-6779

City of Chicago Wires

6. **Wiring of Funds from the City of Chicago to Amalgamated Bank of Chicago (Escrow Trustee)**

   One (1) wire of $24,644,260.28 will be sent to **Amalgamated Bank of Chicago** by the **City of Chicago** via Federal Funds.

City of Chicago Wire Transfer to Amalgamated Bank of Chicago in the Amount of $24,644,260.28	Bank	Amalgamated Bank of Chicago
	ABA #	071003405
	Acct #	150002305
	Acct Name	City of Chicago G.O. 2017 Escrow Trust #1856379007
	ATTN	Pamela Sumerall (312) 822-8545

7. **Wiring of Funds from the City of Chicago to Bank of New York Mellon (Escrow Trustee)**

   One (1) wire of $7,115,593.64 will be sent to **Bank of New York Mellon** by the **City of Chicago** via Federal Funds.

City of Chicago Wire Transfer to Bank of New York Mellon in the Amount of $7,115,593.64	Bank	Bank of New York Mellon
	ABA #	021000018
	Acct #	2472098400
	Acct Name	Midwest Muni-2005B and 2005D Escrows
	ATTN	Eduardo Rodriguez (312) 827-8612

8. **Wiring of Funds from the City of Chicago to Zions Bank (Escrow Trustee)**

   One (1) wire of $15,752,753.23 will be sent to **Zions Bank** by the **City of Chicago** via Federal Funds.

City of Chicago Wire Transfer to Zions Bank in the Amount of $15,752,753.23	Bank	Zions Bank
	ABA #	124000054
	Acct #	080000680
	Acct Name	Zions Trust Department
	ATTN	Daryl Pomykala (312) 763-4256

9. **Wiring of Funds from the City of Chicago to US Bank (Escrow Trustee)**

   One (1) wire of $30,032,734.21 will be sent to **US Bank** by the **City of Chicago** via Federal Funds.

City of Chicago Wire Transfer to US Bank in the Amount of $30,032,734.21	Bank	US Bank
	ABA #	091000022
	Acct #	180121167365
	Acct Name	US Bank CT Wire Clearing / City of Chicago
	ATTN	Patricia Trlak (312) 332-6779

Closing Procedures

1. **Form of Series 2017A & 2017B Bonds:** The Series 2017A & 2017B Bonds will be issued as book-entry only through The Depository Trust Company (DTC).

2. **Instruction for Release of the Series 2017A & 2017B Bonds:** Upon the City and the Trustee's receipt of the wires from the Underwriter on the morning of Wednesday, February 1, 2017, the Underwriter will then utilize the DTC FAST closing system to close. DTC Underwriting will release the Series 2017A & 2017B Bonds upon notification from the Underwriter and the Trustee that the bond issue is closed and that the Series 2017A & 2017B Bonds may be released.

DTC Closing Information **Tel: (212) 855-3752** **Goldman Sachs Participant Code: 0005**

Exhibit A. Escrow Breakdown by Series & Escrow Trustee

Bond Program		2017-A Bond Proceeds			Fund 510 Integrated Defeasance			510 Supplemental	All Sources
Agent	Series	Begin Cash	SLGs Par	Total Cost	Begin Cash	SLGs Par	Total Cost	Transfer Amount	By Series
ABOC	1995A2	-	-	-	-	-	-	19,058,541 02	19,058,541 02
ABOC	2001A	10.26	34,618,654 00	34.618.664 26	10.26	4,051,709 00	4,051,719.26	-	38,670,383 52
ABOC	2003B-Fix	10.22	6,273,032 00	6.273,042 22	-	-	-	-	6,273,042 22
ABOC	2008C	10.14	19.353.215 00	19,353,225 14	-	-	-	-	19,353,225 14
ABOC	2009C	10 93	17,936.476 00	17,936,486 93	-	-	-	-	17,936,486 93
ABOC	2009D	10 64	24,491,686.00	24,491,696 64	-	-	-	-	24,491,696 64
ABOC	2012A	10 89	16,233,352.00	16.233,362 89	-	-	-	-	16,233,362.89
ABOC	2012C	10 39	9.364,689 00	9.364,699 39	-	-	-	-	9,364,699 39
ABOC	2014A	10 10	57,303,449 00	57,303.459 10	-	-	-	1,534,000 00	58,837,459 10
		83.57	185.574,553 00	185,574.636 57	10.26	4.051,709 00	4,051,719.26	20,592.541 02	210,218,896 85
BoNY	2005B	10 43	43.480,272 00	43,480,282 43	10 40	1.013,279 00	1,013,289 40	-	44,493,571 83
BoNY	2005D-Fix	10 13	8,393,892 00	8,393,902.13	-	-	-	-	8,393,902.13
BoNY	2005-3B	-	-	-	-	-	-	1.052.648 82	1,052,648 82
BoNY	2005-3C	-	-	-	-	-	-	251.829 86	251,829 86
BoNY	2006-1B	-	-	-	-	-	-	1,047,164.45	1,047,164 45
BoNY	2006-1C	-	-	-	-	-	-	3,750,661.11	3,750,661.11
		20 56	51,874,164 00	51,874,184 56	10 40	1 013,279 00	1,013,289.40	6,102,304.24	58,989,778.20
Zions Bank	2005A	10 23	28,114.722 00	28,114,732 23	10 11	13.210,009 00	13.210,019.11	-	41.324,751 34
Zions Bank	2007A	10 53	36,525.489.00	36,525,499 53	10 12	2,542,724 00	2,542,734 12	-	39,068,233.65
Zions Bank	2011A	10 79	31,207.597 00	31,207,607 79	-	-	-	-	31,207,607 79
		31.55	95,847,808 00	95.847,839 55	20 23	15,752,733 00	15,752,753.23	-	111,600,592 78
USBank	2002B-Fix	10 29	7,524,992 00	7.525.002 29	-	-	-	-	7.525,002 29
USBank	2006A	10 33	35,797,497 00	35,797,507.33	10 21	5.678,646 00	5.678,656 21	-	41,476,163.54
USBank	2007C	-	-	-	-	-	-	18.349.350 00	18,349,350 00
USBank	2007D	-	-	-	-	-	-	1,452.312 00	1,452,312.00
USBank	2007E-Fix	10 06	3,706,881.00	3.706,891 06	-	-	-	-	3,706,891 06
USBank	2007F-Fix	10 91	2,964,308 00	2,964,318 91	-	-	-	-	2,964,318 91
USBank	2007G-Fix	10 66	737,679 00	737,689 66	-	-	-	-	737,689 66
USBank	2008A	10 94	22,113,205 00	22.113.215 94	-	-	-	-	22,113,215 94
USBank	2008B	-	-	-	-	-	-	4,552,416.00	4,552,416 00
		63 19	72,844.562.00	72,844,625 19	10.21	5.678,646 00	5,678.656 21	24,354,078 00	102,877,359 40
Zions Bank	2010B	10 03	47.181,074 00	47.181,084 03	-	-	-	-	47,181,084 03
Zions Bank	2015A	10 35	8,365,318 00	8,365,328 35	-	-	-	-	8,365,328.35
		20 38	55,546.392 00	55,546,412 38	-	-	-	-	55,546,412.38
	Total	219 25	461.687,479 00	461,687,698 25	51.10	26,496,367.00	26,496,418 10	51,048,923 26	539,233,039 61

SCHEDULE I

TERMS OF BONDS

1. Aggregate Principal Amount: $1,160,260,000

2. Dated: Date of Issuance (Expected to be February 1, 2017)

3. Maturities, Principal Amounts, Interest Rates, Prices and CUSIP Numbers:

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIP NUMBERS

City of Chicago
General Obligation Bonds
$886,000,000 Project and Refunding Series 2017A

Maturity (January 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP
2029	20,980,000	5.625%	5.800%	98.503	167486ZT9
2030	41,565,000	5.625	5.880	97.709	167486ZU6
2031	43,655,000	5.625	5.960	96.855	167486ZV4
2033	32,690,000	5.750	6.080	96.658	167486ZW2
2034	34,120,000	5.750	6.140	95.925	167486ZX0

$712,990,000 6.000% Term Bond due January 1, 2038, Yield 6.200%, Price 97.667 CUSIP: 167486ZY8

City of Chicago
General Obligation Bonds
$274,260,000 Taxable Project Series 2017B

$274,260,000 7.045% Term Bond due January 1, 2029, Yield 7.045%, Price 100.00 CUSIP: 167486ZZ5

4. Redemption.

The Bonds are subject to both optional and mandatory redemption prior to maturity, as described below. The Bonds shall be redeemed only in principal amounts of $5,000 and integral multiples thereof.

Optional Redemption of Series 2017A Bonds

The Series 2017A Bonds are subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after January 1, 2027, and if less than all of the outstanding Series

2017A Bonds of a single maturity are to be redeemed the Series 2017A Bonds called shall be called by lot, in such principal amounts and from such maturities as the City shall determine, at a redemption price equal to the principal amount of the Series 2017A Bonds being redeemed plus accrued interest to the date fixed for redemption.

Optional Redemption of Series 2017B Bonds with Make Whole Payment

The Series 2017B Bonds shall be subject to redemption prior to maturity at the option of the City, in whole or in part, and if in part from such maturities and interest rates as shall be determined by an Authorized Officer on any Business Day (as defined below) at a redemption price equal to the greater of: (A) the principal amount of such Series 2017B Bonds to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on such Series 2017B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date such Series 2017B Bonds are to be redeemed, discounted to the date of redemption of such Series 2017B Bonds to be redeemed on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 70 basis points plus accrued interest on such Bonds being redeemed to the date fixed for redemption.

The City is authorized to sell or waive any right the City may have to call any of the Bonds for optional redemption, in whole or in part; provided, that such sale or waiver will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes.

Mandatory Redemption of Bonds.

The Series 2017A Bonds maturing on January 1, 2038 are subject to mandatory redemption prior to maturity on January 1 of the years and in the amounts set forth below, at a Redemption Price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption:

YEAR	PRINCIPAL AMOUNT
2035	35,605,000
2036	224,380,000
2037	308,450,000
2038*	144,555,000

*Final Maturity

The principal amount of the Series 2017A Bonds to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof, with any partial optional redemption of such Series 2017A Bonds credited against future mandatory redemption requirements in such order of the mandatory redemption dates as the City may determine. In addition, on or prior to the sixtieth (60th) day preceding any mandatory redemption date, the Trustee, if directed by the City, shall purchase Series 2017A Bonds required to be retired on such mandatory redemption date at such prices as the City shall determine. Any such Series 2017A Bond so purchased shall be canceled and the principal amount thereof shall be credited against the payment required on such next mandatory redemption date.

The Series 2017B Bonds maturing on January 1, 2029 are subject to mandatory redemption prior to maturity at a Redemption Price on January 1 of the years and in the amounts set forth below, at a

Redemption Price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption:

YEAR	PRINCIPAL AMOUNT
2021	38,320,000
2022	32,540,000
2023	25,895,000
2024	27,710,000
2025	29,615,000
2026	31,725,000
2027	34,030,000
2028	36,460,000
2029*	17,965,000

*Final Maturity

The principal amount of the Series 2017B Bonds to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof, with any partial optional redemption of such Series 2017B Bonds of a maturity credited against future mandatory redemption requirements for Series 2017B Bonds of that maturity in such order of the mandatory redemption dates as the City may determine. In addition, on or prior to the sixtieth (60th) day preceding any mandatory redemption date, the Trustee, if directed by the City, shall purchase Series 2017B Bonds required to be retired on such mandatory redemption date at such prices as the City shall determine. Any such Series 2017B Bond so purchased shall be canceled and the principal amount thereof shall be credited against the payment required on such next mandatory redemption date.

SCHEDULE II

REFUNDED OUTSTANDING INDEBTEDNESS

Exhibit A. Escrow Breakdown by Series & Escrow Trustee

Bond Program		2017-A Bond Proceeds			Fund 510 Integrated Defeasance			510 Supplemental	All Sources
Agent	Series	Begin Cash	SLGs Par	Total Cost	Begin Cash	SLGs Par	Total Cost	Transfer Amount	By Series
ABOC	1995A2	-	-	-	-	-	-	19,058,541.02	19,058,541.02
ABOC	2001A	10.26	34,618,654.00	34,618,664.26	10.26	4,051,709.00	4,051,719.26	-	38,670,383.52
ABOC	2003B-Fix	10.22	6,273,032.00	6,273,042.22	-	-	-	-	6,273,042.22
ABOC	2008C	10.14	19,353,215.00	19,353,225.14	-	-	-	-	19,353,225.14
ABOC	2009C	10.93	17,936,476.00	17,936,486.93	-	-	-	-	17,936,486.93
ABOC	2009D	10 64	24,491,686.00	24,491,696.64	-	-	-	-	24,491,696.64
ABOC	2012A	10.89	16,233,352.00	16,233,362.89	-	-	-	-	16,233,362.89
ABOC	2012C	10.39	9,364,689.00	9,364,699.39	-	-	-	-	9,364,699.39
ABOC	2014A	10.10	57,303,449.00	57,303,459.10	-	-	-	1,534,000.00	58,837,459.10
		83.57	185,574,553.00	185,574,636.57	10 26	4,051,709 00	4,051,719.26	20,592,541.02	210,218,896 85
BoNY	2005B	10.43	43,480,272.00	43,480,282.43	10.40	1,013,279.00	1,013,289.40	-	44,493,571 83
BoNY	2005D-Fix	10.13	8,393,892.00	8,393,902 13	-	-	-	-	8,393,902.13
BoNY	2005-3B	-	-	-	-	-	-	1,052,648.82	1,052,648.82
BoNY	2005-3C	-	-	-	-	-	-	251,829.86	251,829.86
BoNY	2006-1B	-	-	-	-	-	-	1,047,164.45	1,047,164.45
BoNY	2006-1C	-	-	-	-	-	-	3,750,661.11	3,750,661.11
		20.56	51,874,164.00	51,874,184.56	10.40	1,013,279.00	1,013,289.40	6,102,304.24	58,989,778.20
Zions Bank	2005A	10.23	28,114,722.00	28,114,732.23	10.11	13,210,009.00	13,210,019.11	-	41,324,751.34
Zions Bank	2007A	10.53	36,525,489.00	36,525,499.53	10.12	2,542,724.00	2,542,734.12	-	39,068,233.65
Zions Bank	2011A	10.79	31,207,597 00	31,207,607.79	-	-	-	-	31,207,607.79
		31.55	95,847,808.00	95,847,839.55	20.23	15,752,733.00	15,752,753.23	-	111,600,592.78
USBank	2002B-Fix	10.29	7,524,992.00	7,525,002.29	-	-	-	-	7,525,002.29
USBank	2006A	10.33	35,797,497.00	35,797,507.33	10.21	5,678,646.00	5,678,656 21	-	41,476,163.54
USBank	2007C	-	-	-	-	-	-	18,349,350.00	18,349,350.00
USBank	2007D	-	-	-	-	-	-	1,452,312.00	1,452,312.00
USBank	2007E-Fix	10.06	3,706,881.00	3,706,891.06	-	-	-	-	3,706,891.06
USBank	2007F-Fix	10.91	2,964,308.00	2,964,318.91	-	-	-	-	2,964,318.91
USBank	2007G-Fix	10.66	737,679.00	737,689.66	-	-	-	-	737,689.66
USBank	2008A	10 94	22,113,205.00	22,113,215.94	-	-	-	-	22,113,215.94
USBank	2008B	-	-	-	-	-	-	4,552,416.00	4,552,416.00
		63.19	72,844,562.00	72,844,625.19	10.21	5,678,646.00	5,678,656.21	24,354,078.00	102,877,359.40
Zions Bank	2010B	10.03	47,181,074.00	47,181,084.03	-	-	-	-	47,181,084.03
Zions Bank	2015A	10.35	8,365,318.00	8,365,328.35	-	-	-	-	8,365,328.35
		20.38	55,546,392.00	55,546,412.38	-	-	-	-	55,546,412.38
	Total	219.25	461,687,479.00	461,687,698 25	51 10	26,496,367.00	26,496,418.10	51,048,923.26	539,233,039.61

SCHEDULE III

NOTIFICATION OF TAX ABATEMENT

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

NOTIFICATION OF TAX ABATEMENT

CITY OF CHICAGO
$886,000,000 GENERAL OBLIGATION BONDS,
PROJECT AND REFUNDING SERIES 2017A AND
$274,260,000 GENERAL OBLIGATION BONDS, TAXABLE PROJECT SERIES 2017B

To: The City Council of the City of Chicago and the County Clerks of The Counties of Cook and DuPage, Illinois

Please be advised that responsive to authority contained in an Ordinance (the "*Ordinance*") adopted by the City Council (the "*City Council*") of the City of Chicago (the "*City*") on October 5, 2016, authorizing the issuance of up to $1,275,000,000 aggregate principal amount of general obligation bonds of the City, plus original issue discount, on February 1, 2017 the City issued $886,000,000 aggregate principal amount of General Obligation Bonds, Project and Refunding Series 2017A (the "*Series 2017A Bonds*") and $274,260,000 aggregate principal amount of General Obligation Bonds, Taxable Project Series 2017B (the "*Series 2017B Bonds*" and together with the Series 2017A Bonds, the "*Bonds*"), having the terms described in that certain Bond Purchase Agreement, dated January 19, 2017 (the "*Bond Purchase Agreement*"), between the City and Goldman, Sachs & Co., acting on behalf of itself and as representative of certain underwriters named therein (the "*Underwriters*").

Capitalized terms used herein without definition have the meanings assigned to such terms in the Ordinance.

Notification of the sale of the Bonds to the City Council and of the determinations made by the Chief Financial Officer of the City with respect to the sale of the Bonds, the filing of the Bond Purchase Agreement, and the Official Statement for the Bonds, all as provided for or required by the Ordinance was made by the filing with the City Clerk of a Notification of Sale executed and delivered by the Chief Financial Officer on the date of issuance of the Bonds.

Please be further advised that Section 7 of the Ordinance provides for a direct annual tax in and for each of the years 2016 to 2055, inclusive, to pay the interest on the Bonds promptly when and as the same falls due and to pay and discharge the principal thereof at maturity. Pursuant to Section 12 of the Ordinance, please be further advised that the amount of the annual tax levy requirements for the payment of the principal of and interest on the Bonds resulting from the sale of the Bonds is less than the levy of taxes authorized in Section 7 of the Ordinance. I have determined that a reduction in the amount of the tax levy in the years 2015 to 2036, inclusive, is deemed desirable in connection with the sale of the Bonds. The amount of the taxes levied in the Ordinance to pay debt service on the Bonds, the amount of the taxes to be abated resulting from the sale of the Bonds, and the remainder of the taxes levied which is to be extended for collection are as follows:

LEVY YEAR	AMOUNT LEVIED IN THE ORDINANCE	EXCESS LEVY TO BE ABATED	TAX TO BE EXTENDED FOR PAYMENT OF THE BONDS
2016	$500,000,000	$459,937,069.98	$40,062,930.02
2017	500,000,000	457,006,577.26	42,993,422.74
2018	500,000,000	451,782,508.00	48,217,492.00
2019	500,000,000	389,763,658.00	110,236,342:00
2020	500,000,000	398,243,302.00	101,756,698.00
2021	500,000,000	407,180,745.00	92,819,255.00
2022	500,000,000	407,190,047.75	92,809,952.25
2023	500,000,000	407,237,217.25	92,762,782.75
2024	500,000,000	407,213,594.00	92,786,406.00
2025	500,000,000	407,143,620.25	92,856,379.75
2026	500,000,000	407,111,033.75	92,888,966.25
2027	500,000,000	407,194,640.75	92,805,359.25
2028	500,000,000	407,020,400.00	92,979,600.00
2029	500,000,000	407,268,431.25	92,731,568.75
2030	500,000,000	453,379,025.00	46,620,975.00
2031	500,000,000	420,689,025.00	79,310,975.00
2032	500,000,000	421,138,700.00	78,861,300.00
2033	500,000,000	421,615,600.00	78,384,400.00
2034	500,000,000	234,976,900.00	265,023,100.00
2035	500,000,000	164,369,700.00	335,630,300.00
2036	700,000,000	546,771,700.00	153,228,300.00
2037	700,000,000	700,000,000	
2038	700,000,000	700,000,000	
2039	700,000,000	700,000,000	
2040	700,000,000	700,000,000	
2041	700,000,000	700,000,000	
2042	700,000,000	700,000,000	
2043	700,000,000	700,000,000	
2044	700,000,000	700,000,000	
2045	700,000,000	700,000,000	
2046	700,000,000	700,000,000	
2047	700,000,000	700,000,000	
2048	700,000,000	700.000.000	
2049	700,000,000	700,000,000	
2050	700,000,000	700.000.000	
2051	700,000,000	700,000,000	
2052	700,000,000	700,000,000	
2053	700,000,000	700,000,000	
2054	700,000,000	700,000,000	
2055	700,000,000	700,000,000	

Respectfully submitted as of this 1st day of February, 2017.

CITY OF CHICAGO

By: ____________________
Carole L. Brown
Chief Financial Officer

ACKNOWLEDGEMENT OF FILING
NOTIFICATION OF TAX ABATEMENT

The foregoing Notification of Tax Abatement relating to $886,000,000 aggregate principal amount of General Obligation Bonds, Project and Refunding Series 2017A and $274,260,000 aggregate principal amount of General Obligation Bonds, Taxable Project Series 2017B of the City of Chicago (the "*City*") has been filed in my office as City Clerk of the City and is part of the official files and records of my office.

IN WITNESS WHEREOF, I have hereunto affixed my signature and caused to be affixed hereto the corporate seal of the City this 1st day of February, 2017.

Andrea M. Valencia

Andrea M. Valencia
City Clerk

[SEAL]

ACKNOWLEDGEMENT OF FILING
NOTIFICATION OF SALE

The foregoing Notification of Sale relating to $886,000,000 aggregate principal amount of General Obligation Bonds, Project and Refunding Series 2017A and $274,260,000 aggregate principal amount of General Obligation Bonds, Taxable Project Series 2017B of the City of Chicago (the "*City*") has been filed in my office as City Clerk of the City and is part of the official files and records of my office.

IN WITNESS WHEREOF, I have hereunto affixed my signature and caused to be affixed hereto the corporate seal of the City this 1st day of February, 2017.

Andrea M. Valencia
City Clerk

[SEAL]